



Riverina
WINEGRAPE GROWERS

Riverina Wine Grapes Marketing Board
For the City of Griffith and the Local
Government Areas of Leeton, Carrathool
and Murrumbidgee
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**RIVERINA
WINE GRAPES MARKETING BOARD
SUBMISSION TO THE**

**Senate Rural and Regional Affairs and
Transport Reference Committee**

Inquiry into the Wine Industry

August 2005

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Summary

- The wine grape industry lacks appropriate and accountable market signals that have lead to a wine grape over supply in certain key varieties.
- The over supply has lead to downward pressure on growers return for all varieties, regardless of their supply situation.
- A national register of vineyards is required and would work to address some of the fundamental supply problems within the industry.
- A code of conduct in the purchasing relationship would assist the industry to develop more structured linkages through the supply chain.
- The quality frameworks for wine grape assessment should be regulated via Government intervention or through the adoption of a standard code.
- Growers do not possess the ability to negotiate effectively with wine grape processors on, contracts, prices and quality aspects of wine grapes.
- A national growers' body is required to help develop the growers within the industry to position them to be able to work more effectively with wine grape processors.
- The national growers' body should be compulsorily funded with the assistance of federal legislation to ensure compliance by defined independent wine grape growers.

Riverina Wine Grapes Marketing Board

The Riverina Wine Grapes Marketing Board is a NSW Statutory Authority legislated under the NSW *Wine Grapes Marketing Board (Reconstitution) Act 2003* and *Agricultural Industry Services (Wine grapes Marketing Board) Regulation 2003*. The Board has been in existence since 1933 servicing the needs of wine grape producers within the City of Griffith and local government areas of Leeton, Carrathool and Murrumbidgee.

The Board is funded by an industry service charge that is compulsorily applied on all wine grape producers that produce greater than 20 tonnes of wine grapes and are that independent of wineries.

The Board was originally set up by petition of wine grape producers to counter the market power of local winemakers in the region. Until July 2000 the Board had the power to determine the market minimum price to be paid for varieties of wine grapes. This power (through vesting) was provided by the NSW Government under the NSW Marketing of Primary Products Act 1983.

Post 2000, the Board's vesting was removed after an extensive review of these provisions in accordance with *National Competition Policy* guidelines. The Board does however retain the authority to set and enforce terms and conditions of payment annually, subject to certain provision as set out in the Act. This power by order under the Board's Act was specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.

The Board also compulsorily receives the price information of the market prices from individual wineries that purchase wine grapes from within the Board's area of operations. This make the Board well placed to offer market advice to growers that are seeking to place their wine grapes. It also serves to provide a greater level of transparency in the market place.

The Board also functions effectively as an agricultural industry services organisation, applying a \$3.90 per tonne service charge on wine grape production to fund a range of constituted services, as follows:

- (a) the development of a code of conduct for contract negotiations between wine grape growers and wineries,
- (b) the development of draft contract provisions with respect to the sale of MIA wine grapes to wineries, including provisions with respect to:
 - (i) the prices to be paid by wineries, and
 - (ii) the terms and conditions of payment to be observed by wineries, in relation to MIA wine grapes delivered to them by wine grape growers,
- (c) the promotion of private contracts for the sale of MIA wine grapes to wineries by wine grape growers,
- (d) the collection and dissemination of market and industry information, including the production and publication of indicator prices for MIA wine grapes grown in the Board's area of operations,
- (e) the conduct of research and development into plant health in relation to wine grapes,
- (f) the provision of education and training in relation to wine grape production and marketing,
- (g) the promotion (in association with organisations representing wineries) of wine made from MIA wine grapes,
- (h) the promotion of regional industry, including regional winemaking, within the Board's area of operations,
- (i) the representation of the wine grape industry in relation to the matters referred to in paragraphs (a)–(h).

The *Wine Grapes Marketing Board (Reconstitution) Act 2003* expires on 31 December 2007. A copy of the Act has been attached: **Appendix 1**.

The Riverina Wine Industry

The Riverina region is the largest named Geographical Indication (GI) within the Australian wine industry. It is home to approximately 500 wine grape producing families and business. The region is also home to 16 wineries, some of Australia's biggest family owned wineries are based in the region, including Casella Wines, McWilliam's Wines and DeBortoli Wines.

The region produces approximately 250,000 tonnes of wine grapes annually, comprising of 54 different varieties with the main production coming from commonly known varieties such as Chardonnay, Merlot, Semillon, Shiraz and Cabernet Sauvignon. A copy of the *Riverina Utilisation and Pricing Survey 2005-2010* is attached: **Appendix 2**. The survey details the production levels and farm gate values for wine grape purchases and winery owned production that occurred in the 2005 vintage year. It also contains winery forecasts of their preferred intake levels up to and including the 2010 vintage year.

The region is based within the Board's area of operations, the City of Griffith and the local government areas of Leeton, Carrathool and Murrumbidgee. Most of the production come from around the cities, towns and villages of Griffith, Leeton, Coleambally, Darlington Point, Hanwood, Yenda, Tharbogang, Beelbanger, Yanco, Bilbul, Lake Wyangan and Hillston. All

production excluding Hillston is irrigated from the Snowy River Irrigation System, via the Murrumbidgee River. Irrigation availability and infrastructure is managed by the privatised organisation Murrumbidgee Irrigation (once a NSW State owned corporation). 84% of the production from the region is produced by independent wine grape growers, all of whom fund the activities of the Board through the imposition of a service charge that is deducted in accordance with the legislation from the payments they receive from wineries for their wine grapes. The payments to growers are controlled through the Board depending on the type of contract relationship that the grower and winery have. A copy of the *Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005* are attached, **Appendix 3**.

The wine grape industry is a major financial contributor to the regional economy in the Riverina. The following table indicates its estimated contribution in 2005.

Table 1. Regional contribution of the MIA Wine Grapes Industry

	1993	2005 (est.)
Wine grapes for wine production (Tonnes)	102,880	248,861
Farm gate value of non-winery grown grapes	\$34m	\$95.2m
Wholesale value of MIA wine	\$170m	at least \$350m
Regional contribution of the wholesale value of MIA wine	\$119m	at least \$280m
Estimated full-time equivalent jobs in the grower sector	750	950
Number of employees – wineries during vintage	692	1,500
Number of employees – wineries outside vintage	651	1,200
Number of employees in service and support industries	513	600
Total regional direct and indirect employment (vintage)	1,955	3,050
Total regional direct and indirect employment (non-vintage)	1,914	2,750

Sources: 1993 data: MIA Business Enterprise Centre Ltd (1994:10). 2005 data based on WGMB (2005) & extrapolations from 1993.

Submission to the Inquiry

The Wine Grapes Marketing Board writes this submission to the Senate Rural & Regional Affairs & Transport References Committee Inquiry into the wine grape industry for and on behalf of all its constituted wine grape producers. The Board has also provided all wine grape producers with the opportunity to write their own submissions by advertising the inquiry via its regular communications to producers and via providing them with the opportunity to sign and send a form letter to the inquiry as individuals, *copy of form letter attached*, **Appendix 4**. The key issues raised in this form letter will form the basis of the Board's submission to the inquiry and through this approach provide information on the key areas of inquiry that are being focused on by the Senate Rural and Regional Affairs and Transport References Committee.

Issue One

The increasing volume of wine grapes available in Australia have been brought on by wineries providing insufficient communications to producers and inappropriate market signals.

The size of the wine grape “glut” within Australia as referred to within the Senate’s key area of inquiry is a question best answered by wine grape purchasers, i.e. the processor wineries. The Board’s concerns are that inappropriate market signals have been provided by the processing industry for a number of years that has led to a rapid build up of plantings.

The market signals provided were wineries requesting plantings of key varieties with no certainty that they would purchase these wine grapes when in full production. Anecdotal evidence suggests that winery staff were providing planting advice to producers based on their own perceptions of the market place without any fiduciary commitment that the fruit would be purchased by the wine company. Without any fiduciary arrangements wineries have been able to coerce growers into over planting thus enabling the price offer to be substantially lower.

The Wine Grapes Marketing Board has for many years been advising wine grape producers and the industry in general that plantings should not occur unless accompanied by a secure long term contract that offers a sustainable and acceptable price. While the Board’s advice may not have been fully heeded by the growing industry it is wineries that are giving growers false confidence that the wine grapes planted will return a profitable margin once in full production.

Within the Riverina over the past 5 years evidence indicates only a minor amount (1,000 tonnes) of wine grapes have been left (to rot) on the vines due to a lack of buyer interest. In particular, the 2002 vintage where the Board helped to place approximately 6,000 tonnes of wine grapes that were ejected from wineries. Many of these growers had been in long standing supply arrangements with wineries (some in excess of 30 years) were simply advised immediately prior to harvest that the winery did not require nor had the capacity to purchase their product.

In late 2004 a number of wineries advised growers that they could not take their production in 2005 and as there existed no formal written contract (only a history of supply for many years and some grower had verbal assurances from company personnel that the company would always purchase wine grapes some them) the growers were forced to seek alternative buyers for their wine grapes. It was during this time that the Board contacted the Retail Grocery Industry Ombudsman (Ombudsman for the Grocery Industry Code of Conduct) and advised growers that they could lodge complaints about these wineries if they wished. Some 15 growers lodged complaints in relation to three corporate wineries. Mediation was then setup with some positive outcomes but generally growers were required to seek another buyer as they would have had to use legal recourse to get the outcomes they were seeking, i.e. financial compensation for potential loss and/or the winery obligated to purchase grapes.

With regard to producers inventory levels in the Riverina the build up of infrastructure for wine grape juice holding and fermentation has been immense. Wineries have had to build extra capacity to enable the purchase of extra tonnes that they have stimulated into production and to supply export markets that were being developed. The Riverina used to

be a net exporter of finished wine to other major industry companies. Since the development of exports by, for example Casella Wines, the region now could be classified as a net importer of finished wine. Wineries do not undertake major purchases of finished wine unless current inventories require it. The current industry climate has also led to unsustainably low price offers for finished wines.

Growers of the Riverina moved a motion at a “prices crisis” meeting held this year that a national registration of vineyards is required by industry. This could be industry funded and managed by a peak industry grower body (for example one that is currently being proposed by industry). All interested parties wishing to develop a vineyard holding would be required to register their intent. This would provide the following benefits. One, allow the industry to be aware of the current levels of holdings for future forecasting of production, and two, provide the industry with sufficient scope to communicate the current status of the industry (subject to regional variations) of the proposed development. Too many speculative plantings have occurred without any understanding of the real market and the associated risks to the regional and national economies brought about by unabated development.

The registration process should not restrict plantings as this would be anti-competitive. However should plantings occur without prior registration the possibility of penalty provisions may need investigation.

Planting location, soil suitability, available irrigation and markets for the produce could form key factors in the decisions process and provision of information to potential industry entrants to ensure they are fully knowledgeable of the market and regional supply and demand conditions.

The project could be covered in terms of regulating the development of the market and for vine health purposes. This could be invaluable in the event of an outbreak of an exotic pest or disease, the industry would have full knowledge of the varieties and address details of all industry participants to ensure timely dissemination of information.

Issue Two

Supply and demand factors are not applied within the market effectively by the purchasers, thereby creating an unstable environment not conducive to investment activity.

Economic theory in reality is very different to what can be observed within the wine industry. While the product of increasing supply works to reduce the price offer to the wine grape producer many wineries often cite capacity constraints as a limiting factor when considering prices.

Comments by wineries that the production is in oversupply and beyond the actual capacity of their facilities have proved false when in this region (apart from the 2002 Vintage) all wine grapes have been purchased.

If winemakers do not have the capacity to process and store wine grapes they could not be in a position to take all the produce that is available in the market place. However, in the Riverina we have had examples of wineries taking fruit in large quantities from regions external to the Riverina on a regular annual basis. This consistent build up of stock, coupled with the expansion of holding and processing capacity levels at local wineries is anecdotal that the industry has and will continue to have the capacity to take wine grapes above and beyond their marketing requirements.

The concern of the producing industry is: Why are wineries continuing to purchase if the market that they supply will not be in a position to take the wine that is being produced? Maintaining high stock levels also comes at a cost to the winery that is ultimately forced onto the wine grape grower supplier.

The market for wine is driven by consumer demand, which is fickle and often stimulated by the price, i.e. lower prices for wine increase sales and reduce stock holdings. Whereas on the production side demand is falsely represented by innuendo that "*there is no room for the wine grapes*" but "*at a low price we can find the room*". It may be stated that a level of greed exists where wineries will take all the product to ensure that their capacity is fully utilised to the detriment of the growers, through price reductions and with no real apparent benefit to consumers through similar price reductions.

However, the relationship between the movements in the prices being offered to growers and those that the consumer is asked to pay bears little commonality.

Issue Three

The relationship between growers and wine makers has continued to deteriorate because of their general disregard for the sustainability of producers. The industry needs to be able to operate closely but this is rarely achieved through the inconsistent approach to grading and quality standards.

This industry needs to be developed in concert, wineries and producers willingly cooperating and acting together to ensure that the consumer is offered a quality, value for money product. Within such a relationship there needs to be trust and accountability. This in reality is a far cry from the majority of transactions that occur.

Growers in general also fear that if they make a comment or statement about a price offer that is too low or a quality grading decision that is suspect they will be ill treated by that winery to a level that they may not even have a home for their produce. One example of fear of talking about the problems in the industry is the lack of participation into this inquiry. Growers believe that by commenting to the inquiry, whether making constructive remarks or not, the simple case that they have been involved in the process could see them forced to seek another home for their produce, a decision based on spurious grounds.

Anecdotal evidence from producers is that within the current period of oversupply the industry operates in what could be termed a master and servant relationship. Growers work under a lot of stress each year to ensure that they abide by the direction of the winery they deliver to, undertaking watering and chemical applications as directed with no liability on behalf of the winery regarding the end use quality of the wine grapes being produced.

Within the Riverina there are examples of wineries that communicate and work very well with producers to ensure production meets product specification. These relationships are cultivated on trust that the grower will have a home for their wine grapes and the winery can make changes to the husbandry techniques of wine grape production to alter fruit quality outcomes. However the final price offer is often a product of the region's price offer which is highly variable.

The structure of the industry ultimately favours the winery processor. They can set the price and the quality each year and dictate to the grower what these are. In some cases the grower who will commence the process of pruning and managing the preceding crop will

have no knowledge of the minimum price they will be offered or the quality factors that will be employed during the harvest period. Many may not know if they have a home for their wine grapes until just prior to harvest.

As there are no minimum enforceable standards in relation to the quality of wine grapes, the industry's market is frequently distorted by the whim of wineries. In the Riverina over the past 3 seasons there has been a major shift toward the use of colour in red wine grapes as a determinant of price. This has led to producers not being able to either meet the requirements to obtain a high price or understand the basis behind these decisions, they are not told why except for comment that this is what the consumer is seeking.

The sampling and testing processes for colour is highly variable and is not regulated by any industry body. This creates room for error and the possibility of unscrupulous behaviour. Flavour is another factor that is not fully understood as it cannot be effectively quantified by any objective means, but again it is used to calculate prices by some wineries.

The industry has developed initially based on the quality and increasing financial rewards to producers being paid on the level of sugar within the wine grape (baumé). The current position of baumé within the Riverina is that wineries expect a minimum level to be achieved prior to the wine grape being of a harvestable quality. Fruit that fall below these levels, due to rains or sample variation are financially penalised or subject to possible fruit rejection. Again these favour the buyer with all penalties and no rewards to the grower.

Issue Four

Contracts within the industry are not secure and are at best only made workable by legal intervention, which is cost prohibitive for individual producers.

The nature of contracts within the industry is highly variable. Within the Riverina the level of contracts has varied substantially over the past 2 years. As the Board's new legislation was developed to encourage contract standards and the development of a code of conduct including minimum standards and provisions within contracts, it has actually moved the industry toward contracts that work to favour the wineries.

In 2000 it was stated that only 15% of the grower population were subject to a written contract that nominated the price the producer would receive and the terms of payment for these wine grapes. Most of these contracts were notifiable to the Board, as under the then power of vesting producers needed to seek exemptions from the Board to allow them to enter these contracts. It should be noted that by a majority these contracts were entered into willingly by the wine grape growers.

Now in 2005 it is suggested that over 50% of the industry has entered into contracts of supply with wineries. One contract in particular offered by [Winery X]¹ prior to the 2004 Vintage used a minimum price of \$200 per tonne (well below the costs of production) to enable all wine grapes purchased within the Board's area of operations to be outside the legislated Board provisions for payment terms. [Winery X] made the offer of these contracts to growers when harvest was just about to commence. Growers felt they had to agree and

¹ The name of this winery has been withheld from the submission due to a reservation of rights that it has on the Wine Grapes Marketing Board to claim damages in relation a media release published by the Board that referred to the Board's concerns of the content, nature and terms of payment of the contract not being recommended as worthwhile in the industry. **See Appendix 5 for copy of the news release and legal correspondence.**

sign or they would not be able to deliver their produce to the winery if they did not. In doing such, growers contracted out of the Board's legislated terms and conditions of payment (for the duration of the contract) and were then subject to the new terms and dates of payment for their wine grapes which were a major departure from the industry standard.

**Table 2. Terms of Payment (TOP) Comparison -
Wine Grapes Marketing Board Standard v's [Winery X]**

Payments	WGMB TOP	Amount (%)	Winery X TOP	Amount (%)
1	14 May	33.33%	31 May	25%
2	24 June	33.33%	30 June	25%
3	14 October	33.34%	30 September	25%
4			15 December	25%

The conditions of the contracts within the industry give no provisions for major long term development of the industry. Growers can be asked to amend the contract by wineries, with fear that if the amendment is not entered into the grower will not be considered "on side" with the winery in the future. In 2004 and 2005 contracts that are expiring are in many cases not being renewed much to the chagrin of growers. For an example of the worth of contracts and winery commitments to these, the [Winery Y] this year is citing a Chardonnay imbalance within its own business and has begun the process of communicating to all contracted producers that it wishes to amend the contract, for the next two years to reduce the level of Chardonnay that they have agreed to purchase, by 25%. Growers are in no position to seek amendments in their favour. Growers for the [Winery Y] feel that by not agreeing to the amended terms they may possibly suffer ill treatment by the company in terms of the business relationship deteriorating and possible price reductions to their wine grapes by the subjective quality assessment process employed by the company. Growers feel that they are "damned if they do and damned if they don't", agree to the amendments.

Most contracts (apart from [Winery X] and some minor purchase arrangements) are supply agreements that bind the grower to the winery for a set duration of time (years) but offer no minimum price for the grower to have a level of financial comfort. The offer price is posted each year at the commencement of harvest and the grower, via the supply agreement has to deliver with no formal offer, negotiation and agreement occurring.

Under the statutory powers of the Board, growers that have no formal agreement that does not stipulate the price or the manner in which the prices are to be calculated, there are provisions for interest penalties to be applied should the winery not make the payment in accordance with the timeframes set out. The interest rate is stipulated in the legislation and enforceable by the Board. Standard industry contracts attempt to give a wide berth to interest by either not including it as a provision or by providing a time delay period for late payments that interest would not be applicable.

The discomfiting fact within this industry is that the grower, who has taken the opportunity to build a business relationship with a winery by entering into a contract, does not feel empowered sufficiently to pursue interest for overdue payments, due to concerns that this would impact on the relationship between the winery and the grower. Taking legal action is an option of last resort within this industry as growers that take the appropriate legal path to pursue compliance to a contract are regretfully treated harshly by the winery.

The development of a mandatory code of conduct or specified legislated trading terms that include the dates that producers will be paid and the right to interest should payments be

tardy is required within the industry. Within the Riverina, should the statutory authority of the Wine Grapes Marketing Board not exist within its current operations it would provide wine grape purchasers with the opportunity to manipulate and use growers financial returns for their own advantage with impunity (using growers as credit facilities). This industry requires a governing authority that can act on behalf of the wine grape grower without the need for the grower to be specifically identified, anonymity is required.

Issue Five

Quality wine grapes are not worth producing as wineries use quality to drive down grower returns by lower yields and the potential production life of the vine. Variations from winery to winery are confusing to a grower – consistent industry standards should be applied to the industry.

Wine grape quality in the wine grape industry is a variable factor, its application to wine grape producers differing from winery to winery. Within the Riverina some wineries work with producers to strive to achieve a quality product that best suits the wine styles for their market. Other wineries tend to approach quality in an ad-hoc manner, the case of “shifting goal posts” annually is a constant bane to wine grape producers.

Growers are told to reduce yields to increase the quality of the wine grapes but this factor within the production of wine grapes can only count for a part of the process. Growers of quality are rarely rewarded financially above those producers that are content on producing wine grapes that are high in production yields and anecdotally of lesser quality.

The industry needs a national system of quality benchmarks that can form the basis of a framework that growers could operate within. This framework should be intrinsically linked to end use value, i.e. higher priced wines should return producers a higher price per tonne. However having said this, growers must not be left to wait until the wine is produced and assessed as the wine grape growing industry has no control or input into the wine making part of the business and therefore could not be expected to influence the efforts of the wine makers.

Growers ideally need to be able to take a standard sample to a testing facility and be then advised what the quality grade is. To ensure samples are as uniform as possible the winemaker could also be involved in this process or it may be undertaken by a third party.

Once the quality is known the grower would then be able to ascertain the price he or she would receive for this product at the winery of choice or via a contractual relationship. Growers that move from winery to winery would be able to grade their production and then shop for the winery that would offer them the best return based on the various varieties that they produce.

The process described above would not dictate what the winery offer prices would be as these would need to be set by the winery with due care for the current market conditions and their ability to fund the purchases. Growers developed knowledge of their product would work to create a competitive market within the industry in relation to the price offer for the wine grapes. Wineries would also need to be prepared to pay the right amount for the appropriate quality or not receive any.

Current practice in the industry is that a winery will stipulate the quality they desire through baumé, colour and disease status. These can often be pre-harvest assessed by the winery

based on irrigation, fertilisation, wine health and canopy. Once a winery has received their preferred amount for a set level of quality further deliveries are placed into lesser value quality points. It can often become the case where those that are in good favour with the winery can achieve the higher price, when those that may well produce the higher quality are advised that the produce is inferior and would command a lesser return.

Other quality factors that are being, and can be, misused by wineries inappropriately, is the grading of the level of MOG (Matter Other than Grapes) contained in the deliveries. This refers to the level of matter that is made up of leaves, vine canes (stems and sticks), wood and other items such as stumps, wire and rocks, that may be delivered within a load of wine grapes. High levels are unacceptable and cause delays to the industry in terms of reducing the level of juice (*must*) that can be pressed from the wine grapes and the damage that may be caused to winery processing equipment and machinery. The current industry standard is for winery staff members (often seasonally employed) that may have not had any industry formally recognised training, to make assessments of grading on growers wine grape deliveries. It should be the case that the industry has better processes that are tangible in terms of educational requirements for its employees that are tasked with making financial assessments on grower's production.

This industry lacks truth and transparency. Growers have reported to the Board numerous cases where they have delivered C grade wine grapes and were instructed by the winery to place it into the same crushing facility as A grade (high quality) wine grapes. This then effectively blends the two grades. If a winery expects a grower to produce quality then they should be appropriately rewarded. Wineries are often cited as having paid lower prices when the fruit has actually ended up in a higher end use than its graded and priced value.

Regulated, irrefutable and quantifiable objective measurement standards are required in the industry as the current processes in operation breed distrust between grower and wineries. The competitive advantage that wineries may lose as a result of this type of regulation can be continued in terms of prices they may offer to growers on the various grades.

Issue Six

Growers require intervention by government to balance the market power of the wineries. Growers also need to be trained and provided with detailed assistance to development collectives for bargaining with wineries and be better skilled at negotiating with wineries to ensure their needs are adequately addressed in terms of pricing. Federal funding is needed to develop our skills base.

Growers consider that through regulation of the business relationship they will feel a level of security from wineries relative market power. While in the Riverina the Wine Grapes Marketing Board acts in the best interests of producers in accordance with its legislation to set and enforce standardised terms and conditions of payment, in reality without these, wineries would hold the ultimate power, only potentially yielding to growers that actually take it upon themselves to engage legal action in the event of a non or late payment.

Growers feel that the Board's activities in this regard offer them a level of comfort in anonymity. The wineries that are late in payment can be investigated by the Board on the request of a grower, whose details are not communicated to the winery for fear of retribution by the winery at a later time. As the Board has dealt with numerous breaches of its

legislation it has vast experience in this area. The winery is always seeking to identify the grower that advised the Board of the breach. In some instances where the growers details were suspected by the winery the grower has been advised by the winery that they will no longer purchase there fruit in future years.

The nature of contractual arrangements in this region do not adequately provide for the introduction of specialist independent arbitrators. While the national industry committee, the Wine Grapes Growers Australia and the Winemakers' Federation of Australian – Wine Industry Relations Committee (WIRC) has actively sought to introduce assessment specifications and dispute resolution clauses, the adoption of these industry agreed best practices has been minimal to almost non-existent within the Riverina. For example the regions two largest wine grape purchasers, [Winery X & Y] have no adequate consideration of dispute resolutions in terms of wine grape quality assessments, leaving the growers with no recourse. This type of “take or leave it” approach in the industry is not conducive to the development of sound business practices or sustainable industry development.

The skills levels of wine grape producers in terms of business development and relationships needs enhancing. In the NSW Riverina, FarmBis funding is no longer available to wine grape growers and just as the federal government has provided funds for the wine skills course for the industry's winemakers perhaps the opportunity to develop a package that can cater for the producer needs to be introduced. Training could cover business development and negotiation skills.

The industry could also benefit from simpler trade practices legislation that would allow groups of various sizes of wine grape producers to form collectives and negotiate with the winery for set volumes of a determined quality of wine grapes. Developing collectives and discussing grape quality would serve to benefit the growers and the wine makers of the industry.

As the industry currently stands, small growers that produce quality are forced to take the price set by the winery, there is no formal offer and acceptance is only a given through the delivery of the product by the grower. As a perishable product the industry cannot afford legislative systems that force delays through administrative process and possible postulation.

Issue Seven

Investigation by government is needed into the power of the retail giants Coles and Woolworths and their pricing policy of Australian wine to consumers and its effects on growers farm gate returns.

A major concern of wine grape growers is their reducing returns. These flow on from reductions in the margins that wineries are able to receive for their product. Consumers are losing the opportunity of purchasing wines at low prices because of the margin pressure being applied through the controlling power of the retail sector, in particularly Coles and Woolworths. Between these two companies they control the major share of the retails outlets for wine products.

Wineries in this end of the market are in general price takers and due to the limitations on the financial flexibility of their other inputs in the production chain often use the grower for their own margin stabilisation. However this process could be termed as defeatist in its

approach. The retailers are fully aware of the average purchase prices for wine grapes in all regions throughout Australia. The industry is abundant with price information down to a regional level. This knowledge allows them to extrapolate the actual cost to the wine maker for the wine and then enable a continued reduction in the margin to the wine maker which ultimately flows to the grower.

Wineries inputs are few and competitors in the production chain are few, glass bottle manufacturers within the Australian industry are limited to almost a monopoly status, packaging manufacture is within the same status. There exists very little opportunities for wineries to seek alternative input supply competitors to gain some advantage.

The federal government should investigate the price manipulation of the major retailers within the Australian market. Wineries would be reluctant to make statements to this regard for fear of not being able to supply them. The production and distribution chain need better structures that offer protection and a more open business relationship.

Issue Eight

Taxation of wine is very high and while this may have forced much of Australia's production to overseas markets the industry is selling more for less return.

Since the introduction of the Wine Equalisation Tax (WET) to "balance" the variation from the previous taxation system post the introduction of the Goods and Services Tax (GST) the wine industry has been making a much greater contribution to the taxation income of the federal government.

In the first year of introduction wineries across Australia complained about the impacts of this and their concern that it would stifle development and growth and lead to reductions of competitiveness. While this has proven to be true in many fronts as wineries are facing very difficult trading times, in particular the small to medium sized business, the concerns of the grower population is that much of the impact has been borne by the wine grape producers.

The cumulative reductions in growers financial returns that occurred in the Vintage immediately following the introduction the GST, the "*Australia's Simplified Taxation System*" mirrored the increased amount of funds paid by wineries to the government under the new system.

While the potential for coincidence is possible, the case remains that wineries that were forced through the new taxation system into a different financial situation, were able to defer the impacts of this by keeping their margins intact by making lesser value payments to wine grape producers. The growers paid the tax and were the net loser in the industry.

This conjecture is backed by a speech by Senator A.B. Ferguson in 23 March 1995 on taxation in the wine industry:

"I have a particular concern for the grape growers, which is the same concern I have always had for primary producers. The grape growers, who are primary producers, are price takers and not price setters. All of the difficulties we have seen in primary industries over the past few years are due to the fact that the primary producers have no control over the amount they receive for the goods they produce. Regardless of the cost of production, they take only what the market offers. But, because it value adds, the wine industry can be a price setter. It can reclaim its costs. It can make sure that it sells its product at a profit while the grape

growers cannot. Currently, the grape growers are undergoing a boom. Although production is down significantly this year—by up to 40 per cent in some places in the Barossa Valley—the increase in prices means that the growers are remaining viable and are going through good times. I remember a time, not so very long ago, particularly in the vine-pull era, when they were struggling just to hang on to their properties. I therefore urge this government to reject the recommendations of this commission of inquiry for an increase in taxes so that this industry, which has a target of \$1 billion of exports by the year 2000, is allowed to get on with its job without any impediments.”

Issue Nine

As a primary producer it constantly feels that the financial squeeze is being applied to the grass roots, the producer. Growers of quality should be able to ensure that they receive a viable return for their produce.

As a grower representative body it is concerning for the industry to be in a state of constant turmoil. Growers need some assistance that will work to balance the power that is constantly being applied by the wine makers within the industry. Such assistance need not impact on the competitiveness of the industry but should work to force unscrupulous behaviour out of the industry to ensure that growers that deal with a number of purchasers of their product are treated equally and fairly.

The industry needs to be united against those that do not work actively promoting and undertaking business methods and practices that are sound, honest and transparent. Without a viable production base the local and regional economies will suffer. Rationalisation of the industry without appropriate thought to the development of the economies that survive in the industry, could be catastrophic to this industry and others within Australia.

Conclusion

What the industry requires is an appropriately funded national grape growers' representative body. This responsibility has for many years been undertaken by the major inland production regions. To look further a field and obtain input and funding from the rest of Australia's wine grape producers is a necessity.

The national body should be able to act for and on behalf of growers and be tasked with the role of management of a suitable Mandatory Code of Conduct, for the benefit of all participants within the industry. The Code of Conduct should include provisions of minimum terms and conditions of payment for the entire industry. Wine grape purchases would only be allowed to purchase wine grapes if they complied with the terms and conditions of payment as minimum standards. These would override any current and future contracts in place. The introduction of possible penalty provisions would need to be instigated by the national representative body to ensure that the code was adhered to across the entire industry.

The national representative body should also be tasked with the role of maintaining the national registrar of vineyards. This would ensure that production statistics are accurate and would enable the body to ensure that it has completeness of revenues in relation to any levy charged.

It should have the power and sufficient funding to enable it to liaise with government to offer advice on the industry and plant health and its financial well being. It would also be able to consider the cost benefit of proposed research activities that require grower funding through the current industry levy. It would also be able to work with industry bodies such as Plant Health Australia, Grape and Wine Research and Development Corporation and the Winemakers Federation of Australia – actively representing the interests of producers.

To fund this body a national levy of all wine grape production that is not grown by wineries would be required. As an example of how this could be structured the Board proposes the standard as applied within its own area of operations through its current legislation.

The peak national body should be constituted for all growers that harvest greater than 20 tonnes of wine grapes in the calendar year, but should not include:

- (a) in the case of a corporation:
 - i. a grower that is also a winery, or
 - ii. a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - i. a grower who is also a winery, or
 - ii. a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvest.

The levy, or service charge would need to be set by an overseeing body based on approved budgets at a properly convened meeting of producers.

The Government should be integral in the maintenance of this system through its current levy collection departments for agricultural industries. The federal Government currently collects a compulsory levy for research and development that works to assist the industry. This process would be an extension of this.

The structure of the national wine grape growers body should take into account the diversity of the nations wine regions and existing grower representative bodies. As the Board is currently part of the steering committee that is seeking to form a truly national representative body within this industry it recommends that the Government look at what is currently being proposed.

On behalf of wine grape producers the Board's would like to offer its thanks to the Senate, Rural and Regional Affairs and Transport Reference Committee for their interest in this industry. The Board trusts that this inquiry into the wine industry has beneficial and recognisable outcomes that the industry can utilise to continue to develop and grow in a sustainable manner that benefits all participants.

References

MIA Business Enterprise Centre Ltd (1994) Riverina Wine Grape and Wine Industry: Submission to the Commonwealth Inquiry into the Winegrapes and Wine Industries, unpublished.

Ferguson Senator A.B, Senate Hansard 23 March 1995, Taxation: Wine Industry, page 2051.

Appendix 1

Wine Grapes Marketing Board (Reconstitution) Act 2003

Including

Agricultural Industry Services

(Wine Grapes Marketing Board) Regulation 2003

Wine Grapes Marketing Board (Reconstitution) Act 2003

Does not include amendments by:

Civil Procedure Act 2005 No 28 (not commenced)

Note:

This Act is to be repealed at the beginning of 1.1.2008 -- see sec 26.

Long Title

An Act to provide for the reconstitution of the Wine Grapes Marketing Board as an agricultural industry services committee under the *Agricultural Industry Services Act 1998*; to provide for the temporary regulation of the terms and conditions of payment for MIA wine grapes; and for other purposes.

Part 1 – Preliminary

1 Name of Act

This Act is the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

2 Commencement

This Act commences on 1 January 2004.

3 Definitions

In this Act:

"Board" means the Wine Grapes Marketing Board established by the regulation set out in Schedule 1.

"Board's area of operations" means the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee.

"complying contract" means:

(a) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year only, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into before the first Monday in December of the previous calendar year, or

(b) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during both the current calendar year and one or more future calendar years, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into at any time before the first delivery of wine grapes under the

contract, or

(c) a contract the subject of an approval in force under section 13.

"consignee" means a person to or for whom a consignment of MIA wine grapes is delivered.

"consignor" means a person by or from whom a consignment of MIA wine grapes is delivered.

"Department" means the Department of Primary Industries.

"Director-General" means the Director-General of the Department.

"duly contracted delivery" means a consignment of MIA wine grapes that is delivered pursuant to a complying contract.

"exercise" a function includes perform a duty.

"former Board" means the Wine Grapes Marketing Board, as constituted under the *Marketing of Primary Products Act 1983* immediately before the commencement of this Act.

"function" includes a power, authority or duty.

"MIA wine grapes" means any variety of grapes grown in the Board's area of operations for use for processing into wine, must, juice or wine spirit.

"price schedule" means a schedule issued by a person for the purpose of publicising the prices that the person will pay for MIA wine grapes delivered to the person during the period to which the schedule relates, as varied from time to time under section 4 (4).

Part 2 – Wine grapes marketing

Division 1 – Establishment of prices, and terms and conditions of payment, for MIA wine grapes

4 Price schedules

(1) Any person may provide the Board with a price schedule, in a form approved by the Board, for MIA wine grapes to be delivered to the person otherwise than pursuant to a complying contract.

(2) A price schedule:

(a) must set out minimum prices that will be paid for consignments of MIA wine grapes delivered during the period to which the schedule relates, and

(b) may set out minimum prices with respect to:

(i) different varieties and grades of wine grapes, and

(ii) different days and times of delivery.

(3) A price schedule must also set out:

(a) any factor, condition or circumstance that may operate to reduce any price offered for a consignment of MIA wine grapes, and

(b) the way in which any such reduction will be calculated.

(4) A person who has provided the Board with a price schedule may, by notice in writing given to the Board, vary the schedule from time to time so as:

(a) to change it in relation to wine grapes to which it already applies, or

(b) to extend it to wine grapes to which it does not already apply.

(5) A reduction in any price arising from the variation of a price schedule does not have effect until:

(a) 48 hours after the reduction is notified to the Board, in the case of a reduction

notified to the Board before 30 January in the year concerned, or

(b) 24 hours after the reduction is notified to the Board, in the case of a reduction notified to the Board on or after 30 January in the year concerned.

(6) A person who has provided the Board with a price schedule must ensure that copies of the schedule, and any variation of the schedule, are made available to prospective consignors on request.

5 Board may make order as to terms and conditions of payment

(1) The Board may at any time, by order published in the Gazette:

(a) establish terms and conditions of payment for MIA wine grapes delivered during that year otherwise than pursuant to a complying contract, and

(b) establish a formula for calculating the amounts payable to the Board, towards any rates levied under the *Agricultural Industry Services Act 1998*, in relation to deliveries of MIA wine grapes, and

(c) establish a timetable in accordance with which:

(i) consignees are to make payments to the Board under sections 10 (1) (a) and 14 (1), and

(ii) the Board is to make payments to consignors under section 10 (1) (b).

(2) The terms and conditions of payment referred to in subsection (1) (a) are to be established by the Board having regard to any submissions made by wineries and wine grape growers within the meaning of the regulation set out in Schedule 1.

(3) Without limiting subsection (1) (a), the terms and conditions set by an order under this section may fix the rate at which interest is to accrue on the late payment of the price of MIA wine grapes so delivered, or on the late payment of any instalment of that price.

(4) The rate at which interest is to accrue must not exceed the rate prescribed under section 95 (1) of the *Supreme Court Act 1970* for payment of interest on a judgment debt, plus 5 per cent.

(5) Copies of each order under this section are to be published in at least one daily newspaper circulating throughout New South Wales.

(6) A failure to comply with the requirements of subsection (5) with respect to an order under this section does not affect the validity of the order.

(7) An order that is made under this section after 20 January in any year does not have effect until the following year.

(8) The making of an order under this section is specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.

Division 2 – Regulation of deliveries and payments for MIA wine grapes

6 Application of Division

This Division applies to any delivery of MIA wine grapes, other than a duly contracted delivery.

7 Deliveries of MIA wine grapes not to be accepted unless price schedule notified to Board

(1) A person must not accept delivery of a consignment of MIA wine grapes unless a price schedule applicable to that consignment has been provided to the Board on or before 30 January in that year.

(2) A person's contravention of subsection (1) does not affect the person's other obligations under this Division.

8 Persons accepting delivery of MIA wine grapes to furnish certain documentation

On accepting delivery of a consignment of MIA wine grapes, the consignee must give to the consignor, by handing to the person by whom the consignment is actually delivered, documentation that sets out:

(a) the date of the delivery, and

(b) the quantity and variety of the wine grapes in the consignment, and

- (c) the relevant provisions of the price schedule applicable to the consignment, and
- (d) any factor, condition or circumstance that operates to reduce the price payable for the consignment and the amount of any such reduction.

9 Minimum price to be paid for MIA wine grapes

(1) The price to be paid for a consignment of MIA wine grapes delivered on any day is taken to be:

(a) if the consignee has provided a price schedule to the Board:

- (i) the price offered for the consignment, reduced in accordance with any applicable factor, condition or circumstance set out in the price schedule applicable to the consignment, or
- (ii) the minimum price payable for the wine grapes in accordance with the price schedule applicable to the consignment,

whichever is the greater, or

(b) if the consignee has failed to provide a price schedule to the Board:

- (i) the price offered for the consignment, or
- (ii) a price equivalent to the average price for wine grapes of the same variety and grade delivered on the same day,

whichever is the greater.

(2) For the purposes of subsection (1) (b) (ii), the average price for wine grapes of a particular variety and grade delivered on a particular day is the arithmetic mean of the prices for wine grapes of that variety and grade, delivered on that day, set out in the price schedules provided to the Board.

10 How payments to be dealt with

(1) Unless the Board directs otherwise, either generally or in relation to a particular consignee or class of consignees:

(a) the price to be paid for MIA wine grapes delivered on any day is to be paid by the consignee to the Board in accordance with the Board's terms and conditions referred to in section 5 (1) (a), and

(b) the money received by the Board in relation to the delivery, less any amount calculated in accordance with section 5 (1) (b), must be paid by the Board to the consignor,

within the period allowed by the Board's timetable for payment under section 5 (1) (c).

(2) Such a direction may be given on the Board's own motion or on the application of one or more consignees.

Division 3 – General

11 Application of Division

This Division applies to any delivery of MIA wine grapes, including a duly contracted delivery.

12 Consignees to furnish Board with certain information

(1) On or before 1 May in each year, each consignee must furnish a report to the Board with respect to MIA wine grapes that have been delivered to the consignee during the period beginning 1 July in the previous year and ending on 14 April in that year.

(2) On or before 30 June in each year, each consignee who has received MIA wine grapes since 14 April in that year must furnish a supplementary report to the Board with respect to MIA wine grapes that have been delivered to the consignee since that date.

(3) The reports must include the following details in relation to each delivery:

- (a) the identity of the consignor of the delivery,
- (b) the quantity and variety of the wine grapes in the delivery,
- (c) except in the case of a duly contracted delivery, the price of the wine grapes in the delivery.

(4) A consignee must not fail or refuse to comply with the requirements of this section.

13 Board may approve certain contracts

- (1) The Board may approve a contract entered into on or after the first Monday in December of the previous year, being a contract that fixes:
 - (a) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year, or the manner in which those prices are to be calculated, and
 - (b) the date or dates by which those prices, or the various instalments of those prices, will be paid.
- (2) An application for the Board's approval to a contract may be made, in a form approved by the Board, by any party to the contract.
- (3) The Board's approval to a contract is taken to have been given if, at the expiry of 14 days after such an application has been made, the Board's decision on the application has not been given to the applicant.
- (4) An applicant may apply to the Administrative Decisions Tribunal for a review of its decision to refuse to give an approval under this section.

14 Consignees of duly contracted deliveries to deduct sums for payment to Board

- (1) If a consignee accepts a duly contracted delivery of MIA wine grapes, the amount calculated in relation to that delivery in accordance with section 5 (1) (b) is to be paid to the Board by the consignee within the period allowed by the Board's timetable for payment under section 5 (1) (c).
- (2) The amount may be deducted from any money payable by the consignee to the consignor with respect to that delivery.
- (3) This section does not apply to a duly contracted delivery of MIA wine grapes in respect of which an amount has been paid to the Board under this section in relation to a previous delivery of those wine grapes.

15 Minister may grant exemptions from Part

The Minister may, by order, exempt any specified person or class of persons, either conditionally or unconditionally, from the operation of this Part or any specified provision of this Part.

16 No contracting out

A contract or agreement is void to the extent to which it purports to exclude, modify or restrict the operation of this Part or has the effect of excluding, modifying or restricting the operation of this Part.

Part 3 – Miscellaneous

17 Departmental inspectors

- (1) In making a decision with respect to the appointment of a person to exercise the functions of a Departmental inspector under the *Agricultural Industry Services Act 1998* in relation to matters arising under this Act, the Director-General must have regard to any submissions or nominations made by the Board.
- (2) Despite subsection (1), a person may not be appointed to exercise any such function if the person is a member of the Board or a member of the Board's staff.
- (3) The powers exercisable by a Departmental inspector under section 33 of the *Agricultural Industry Services Act 1998* include the power to require a person to furnish the inspector with:
 - (a) information of the kind required to be included in a report under section 12 of this Act, or
 - (b) information of the kind necessary to establish whether or not a particular document is or is not a complying contract.
- (4) The powers exercisable by a Departmental inspector under section 34 of the *Agricultural Industry Services Act 1998* include the power to enter premises, and to inspect and take copies of documents, for the purpose of obtaining:

(a) information of the kind required to be included in a report under section 12 of this Act, or

(b) information of the kind necessary to establish whether or not a particular document is or is not a complying contract.

(5) A Departmental inspector may exercise functions under the *Agricultural Industry Services Act 1998* in relation to MIA wine grapes within or beyond the Board's area of operations.

(6) The Board must pay to the Director-General such amounts as the Director-General may from time to time determine to defray the costs and expenses of Departmental inspectors in the exercise of such of their functions under the *Agricultural Industry Services Act 1998* as arise under this section.

18 Funding of Board's operations

Any amounts payable by the Board under this Act, and any costs or expenses incurred by the Board in the exercise of its functions under this Act, may be paid for out of the Board's general fund under Part 3 of the *Agricultural Industry Services Act 1998*.

19 Recovery of unpaid money

Any money due to the Board or the Director-General under this Act (including any money that becomes payable as a consequence of the revocation of a direction under section 10) may be recovered as a debt.

20 Proceedings may be taken in name of Board

(1) Proceedings for an offence against this Act may be taken in the name of the Board by any officer of the Board who is authorised by the Board in that regard.

(2) Proceedings taken in the name of the Board are, in the absence of evidence to the contrary, taken to have been commenced in accordance with an authority under this section.

(3) This section does not prevent proceedings for an offence against this Act from being commenced by any person otherwise than in accordance with an authority under this section.

21 Directors and managers liable for offences committed by corporations

(1) If a corporation contravenes a provision of this Act, each person who:

(a) is a director of the corporation, or

(b) is concerned in the management of the corporation,

is to be treated as having contravened that provision if the person knowingly authorised or permitted the contravention.

(2) A person may, under this section, be proceeded against and convicted for a contravention of such a provision whether or not the corporation has been proceeded against or convicted for a contravention of that provision.

(3) Nothing in this section affects any liability imposed on a corporation for an offence committed by the corporation against this Act.

21A Delegation

The Director-General may delegate the exercise of any function of the Director-General under this Act (other than this power of delegation) to any member of staff of the Department.

22 Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003

Schedule 1 is taken to be, and has effect as, a regulation made under the *Agricultural Industry Services Act 1998* for the purposes of section 5 of that Act.

23 Abolition of former Board

The former Board is abolished.

24, 25 (Repealed)

26 Expiry of Act

This Act is repealed at the beginning of 1 January 2008.

Schedule 1 Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003

(Section 22)

Part 1 – Preliminary

1 Name of Regulation

This Regulation is the *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003*.

2 Definitions

In this Regulation:

"area of operations", in relation to the Board, means the area of operations for which the Board is constituted, as set out in clause 5.

"Board" means the agricultural industry services committee established by this Regulation.

"former Board" means the Wine Grapes Marketing Board, as constituted under the *Marketing of Primary Products Act 1983* immediately before the commencement of this Regulation.

"MIA wine grapes" means any variety of grapes grown within the Board's area of operations for use for processing into wine, must, juice or wine spirit.

"the Act" means the *Agricultural Industry Services Act 1998*.

"wine grape grower" means a grower that belongs to the class of primary producers referred to in clause 4.

"winery" means a processor that processes MIA wine grapes within the Board's area of operations.

Part 2 – Establishment and functions of Board

3 Establishment of Board

(1) There is established by this Regulation an agricultural industry services committee with the corporate name of the Wine Grapes Marketing Board.

(2) The Board is a continuation of the former Board.

4 Class of primary producers for which Board is constituted

For any calendar year, the class of primary producers for which the Board is constituted includes all growers within the Board's area of operations who, during the previous calendar year, harvested more than 20 tonnes of MIA wine grapes, but does not include:

(a) in the case of a corporation:

(i) a grower that is also a winery, or

- (ii) a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - (i) a grower who is also a winery, or
 - (ii) a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvests.

5 Area of operations of Board

The area of operations for which the Board is constituted consists of the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee.

6 Commodity for which Board is constituted

The commodity for which the Board is constituted is MIA wine grapes.

7 Agricultural industry services of Board

The agricultural industry services for which the Board is constituted are as follows:

- (a) the development of a code of conduct for contract negotiations between wine grape growers and wineries,
- (b) the development of draft contract provisions with respect to the sale of MIA wine grapes to wineries, including provisions with respect to:
 - (i) the prices to be paid by wineries, and
 - (ii) the terms and conditions of payment to be observed by wineries,in relation to MIA wine grapes delivered to them by wine grape growers,
- (c) the promotion of private contracts for the sale of MIA wine grapes to wineries by wine grape growers,
- (d) the collection and dissemination of market and industry information, including the production and publication of indicator prices for MIA wine grapes grown in the Board's area of operations,
- (e) the conduct of research and development into plant health in relation to wine grapes,
- (f) the provision of education and training in relation to wine grape production and marketing,
- (g) the promotion (in association with organisations representing wineries) of wine made from MIA wine grapes,
- (h) the promotion of regional industry, including regional wine-making, within the Board's area of operations,
- (i) the representation of the wine grape industry in relation to the matters referred to in paragraphs (a)-(h).

Part 3 – Other provisions relating to Board

8 Membership of Board

- (1) The Board is to consist of 7 members, of whom:
 - (a) five are to be elected by the Board's constituents, and
 - (b) two are to be appointed by the elected members.
- (2) If there are insufficient eligible nominees for election under subclause (1) (a), additional members are to be appointed by the elected members to make up the insufficiency.

9 Quorum for meeting of Board

The quorum for a meeting of the Board is 4 of its members.

10 Voting entitlements of constituents

The voting entitlements for the Board's constituents for both polls and elections is one vote per constituent.

11 Quorum for meeting of constituents

The quorum for a meeting of the Board's constituents is 30 constituents.

12 Financial year

The financial year of the Board is the year ending on 31 December.

Schedule 2 (Repealed)

Historical notes

The following abbreviations are used in the Historical notes:

Am	amended	No	number	Schs	Schedules
Cl	clause	p	page	Sec	section
ClI	clauses	pp	pages	Secs	sections
Div	Division	Reg	Regulation	Subdiv	Subdivision
Divs	Divisions	Regs	Regulations	Subdivs	Subdivisions
GG	Government Gazette	Rep	repealed	Subst	substituted
Ins	inserted	Sch	Schedule		

Table of amending instruments *Wine Grapes Marketing Board (Reconstitution) Act 2003 No 100*. Second reading speech made: Legislative Council, 20.11.2003; Legislative Assembly, 3.12.2003. Assented to 10.12.2003. Date of commencement, 1.1.2004, sec 2. This Act has been amended as follows:

2004	No 91	<i>Statute Law (Miscellaneous Provisions) Act (No 2) 2004</i> . Assented to 10.12.2004. Date of commencement of Sch 1.43, assent, sec 2 (2).
2005	No 64	<i>Statute Law (Miscellaneous Provisions) Act 2005</i> . Assented to 1.7.2005. Date of commencement of Sch 3, assent, sec 2 (1).

Table of amendments

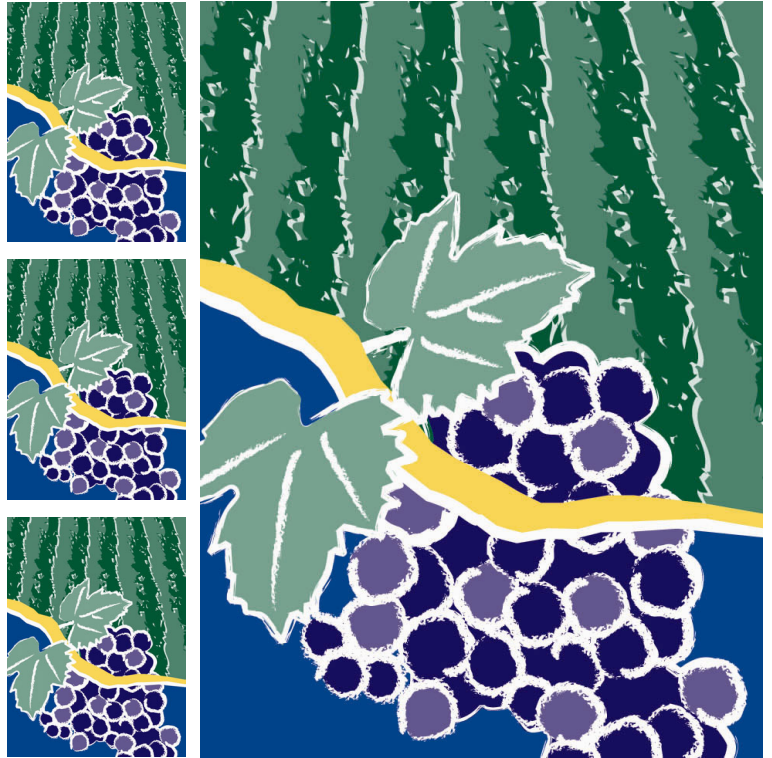
Sec 3	Am 2004 No 91, Sch 1.43 [1] [2].
Sec 21A	Ins 2004 No 91, Sch 1.43 [3].
Secs 24, 25	Rep 2005 No 64, Sch 3.
Sec 26	Am 2004 No 91, Sch 1.43 [4].
Sch 2	Rep 2005 No 64, Sch 3.

Appendix 2

Riverina Pricing and Utilisation Survey 2005-2010

2005 - 2010

WINE GRAPES MARKETING BOARD



RIVERINA WINEGRAPES PRICING AND UTILISATION SURVEY 2005 - 2010

JULY 2005



Australian Government
Australian Wine and
Brandy Corporation



Australian Government
Grape and Wine Research and
Development Corporation

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INTRODUCTION

The Wine Grapes Marketing Board for the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee commissioned this survey of wineries drawing fruit grown in the regions under the Board's jurisdiction. The coverage approximates to the Geographic Indication "Riverina".

This is principally a Riverina Wine Grapes Marketing Board funded project. Funding for this survey has also been provided the Australian Wine and Brandy Corporation and the Grape and Wine Research and Development Corporation.



Australian Government

Australian Wine and
Brandy Corporation



Australian Government

Grape and Wine Research and
Development Corporation

This is the eighth year the survey has been conducted in the region. Data was collected using the form developed by the Australian Wine and Brandy Corporation for the Australian Regional Winegrape Crush Survey, which has common collection methodology and coordinated coverage to enable regional and State data to be aggregated to form a national position.

The Report is presented in Three Parts:

- Part 1** Sets details of grape price and intake data as well as purchases by wineries for the 2005 vintage.
- Part 2** Shows grapes crushed for 2005 and preferred intake data for the period 2006 to 2010.
- Part 3** Contains individual variety analysis of price, actual and expected intake, and preferred intake.

DATA REQUESTED FROM WINERIES

2005 Pricing Survey

All wineries that purchased grapes in the region were sent a questionnaire seeking information by variety on tonnes purchased, total purchase value per variety and the highest and lowest price per tonne paid. This amount is based on the post-receival price not including any amount added for freight or any end use bonuses other than bonus payments made at the time of the survey. It does not include any value for own-grown fruit.

Utilisation Survey 2005 - 2010

Wineries were asked to nominate their actual usage of grapes for 2005 vintage dissected into those sourced from their own vineyards (**own grown**) and those **purchased** from third parties. Future (expected) usage of grapes for the vintages 2006 to 2010 was also sought on the same basis, as well as preferred usage for those years. The **estimated usage** is broadly equivalent to the winery's estimate of grape supply over the reporting period, while **preferred usage** is broadly equivalent to demand.

The following definitions applied:

Tonnes Crushed

"Tonnes crushed" is the tonnage of grapes crushed by a winery or crushed on a winery's behalf used to make juice or wine in the past vintage. Tonnes crushed is made up of tonnes "own grown" and tonnes purchased. It excludes contract winemaking where ownership of the grapes does not remain with the winery.

Tonnes Expected

This is the tonnage of grapes expected to be delivered to the winery during the next five vintages, based on the winery's forecasts of supply/production from the winery's vineyards and other growers' vineyards.

Tonnes Preferred

The 'tonnes preferred' for the current vintage is the tonnage of grapes that the winery would have preferred to have crushed in an "ideal" vintage not affected by weather, contract commitments etc. This can be higher or lower than the tonnes crushed.

The 'tonnes preferred' for future years is the tonnage of grapes the winery would like to receive in order to meet projected requirements in accordance with sales forecasts. This would take into account projected growth and any restrictions in the area of capital equipment and inventory expansion, but would not take into account any possible grape supply restrictions.

Respondents were asked to differentiate expected intake between grape grown on their own vineyards and fruit purchased from other growers.

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DISCLAIMER

While every effort is taken to ensure the accuracy of the data in this report, the Wine Grapes Marketing Board will not be held liable for the reporting of individual wineries and hence the aggregate information contained in this report.

Persons using this report for the purposes of investment decisions should not rely solely on the information contained in the report. Communication with industry bodies, existing producers and wine grape processors are invaluable as the aggregate information may mask individual wine company demand preferences.

The Wine Grapes Marketing Board recommends that before any plantings of new grape vines or re-plantings occur growers should have a valid contract. Information on the items growers should ensure are contained within a contract can be obtained by contacting the Board office.

Note: Any discrepancy between totals and sums of components is due to rounding.

PART 1: PRICE & INTAKE DATA**Intake 2001-2005 (tonnes)**

VARIETY	2001	2002	2003	2004	2005	% (+/-)
WHITE						
Chardonnay	21,210	30,258	29,129	37,954	47,581	25%
Chenin Blanc	681.89	1,223	955	1,045	1,072	3%
Colombard	8,015	12,168	10,811	14,071	13,359	-5%
Marsanne	1,340	1,724	1,043	1,619	882	-46%
Muscat Gordo	4,175	5,750	5,025	5,709	5,138	-10%
Pinot Gris	np	np	np	208	1,201	478%
Riesling	1,621	3,478	3,885	4,244	4,327	2%
Sauvignon Blanc	2,141	3,808	2,515	3,260	3,371	3%
Semillon	33,692	43,350	32,275	39,046	37,859	-3%
Traminer	2,295	3,668	3,210	3,611	4,863	35%
Trebbiano	5,517	7,072	5,657	6,117	4,914	-20%
Verdelho	3,000	4,950	4,215	5,649	5,811	3%
Viognier	np	np	np	np	481	
Other White	2,006	3,039	2,378	2,946	2,141	-27%
Total White	85,692	120,488	101,099	125,479	133,000	6%
RED						
CabSavignon	12,732	20,813	14,790	22,733	22,452	-1%
Durif	1,488	2,007	3,397	4,422	4,469	1%
Grenache	251	549	296	362	302	-17%
Mataro	1,684	1,859	1,773	2,023	1,499	-26%
Merlot	7,577	15,639	10,354	15,426	15,280	-1%
Petit Verdot	214	1,213	1,466	2,671	2,537	-5%
Pinot Noir	1,786	2,546	2,401	2,747	2,882	5%
Ruby Cabernet	8,433	12,245	8,566	11,085	11,779	6%
Shiraz	37,114	47,371	48,231	63,145	51,942	-18%
Zinfandel	494	966	764	902	749	-17%
Other Red	1,807	2,760	2,913	3,889	4,525	16%
Total Red	73,580	107,968	94,952	129,405	118,416	-9%
TOTAL	159,272	228,455	196,051	254,884	251,416	-1%

np – Not published or not available

Weighted Average Prices summary, 2000-2005

VARIETY	2000	2001	2002	2003	2004	2005	05/04
WHITE	\$/t	\$/t	\$/t	\$/t	\$/t	\$/t	%
Chardonnay	565	649	761	865	882	653	-26%
Chenin Blanc	318	333	327	332	352	329	-7%
Colombard	325	363	379	358	378	359	-5%
Doradillo	267	274	288	275	287	276	-4%
Marsanne	314	332	341	315	361	335	-7%
Muscat Blanc	363	400	393	384	387	369	-5%
Muscat Gordo	356	373	363	360	360	351	-2%
Palomino	296	307	303	270	321	301	-6%
Riesling	401	435	494	489	431	395	-8%
Sauvignon Blanc	383	354	401	393	498	504	1%
Semillon	338	371	395	388	411	411	0%
Traminer	491	565	614	481	453	408	-10%
Trebbiano	309	343	316	312	335	326	-2%
Verdelho	348	362	377	335	374	357	-5%
All White	383	428	470	500	534	484	-9%
RED							
Cab Sauvignon	670	558	440	448	425	402	-5%
Durif	447	540	519	431	444	400	-10%
Grenache	442	440	418	311	343	318	-7%
Mataro	427	408	305	289	321	320	0%
Merlot	565	556	482	413	422	408	-3%
Petit Verdot	441	503	466	471	388	385	-1%
Pinot Noir	557	574	502	419	478	474	-1%
Ruby Cabernet	518	501	401	387	358	337	-6%
Shiraz	506	593	504	465	457	439	-4%
All red	526	561	467	438	431	410	-5%
TOTAL	439	488	469	470	482	449	-7%

The decline in average values to \$449 per tonne (\$482 in 2004) has impacted greatly on the gross farm gate value of production across the region. In average terms the gross value of production has declined from \$123 million in 2004 to \$113 million in 2005. The average reduction in EBIT returns to wine grape production enterprises is approximately \$30,000.

Production values are now as low in average terms as they were in the year 2000, albeit with a larger area of production.

Grape Purchases Summary 2005

Wine Grape Varieties	Tonnes ¹ harvested	Tonnes ² purchased	Purchase price at weighbridge		Total purchase value \$	Weighted average price (\$/t)
			Lowest price (\$/t)	Highest price(\$/t)		
WHITE						
Chardonnay	47,436	39,536	200	1,024	25,830,818	653
Chenin Blanc	1,073	868	320	350	286,066	329
Colombard	13,072	12,672	320	392	4,547,351	359
Doradillo	94	94	270	350	26,052	276
Marsanne	881	633	200	500	212,228	335
Muscat Blanc (Frontignac)	1,478	1,075	360	400	396,160	369
Muscat Gordo Blanco	5,160	5,014	250	400	1,760,223	351
Other white (grouped)	210	547	270	700	227,069	392
Palomino	175	167	280	310	50,262	301
Pinot Gris	1,528	1,181	650	1,125	787,085	666
Riesling	4,316	3,420	298	500	1,349,399	395
Sauvignon Blanc	3,389	2,655	400	600	1,337,635	504
Semillon	37,921	32,796	300	650	13,489,233	411
Traminer	4,821	3,547	300	500	1,446,847	408
Trebbiano	4,864	4,585	260	375	1,496,118	326
Unsound / distillation white ³	n/a	171			34,200	200
Verdelho	5,503	4,475	300	500	1,598,286	357
Viognier	481	475	450	650	242,461	511
TOTAL WHITE	132,402	113,911			55,117,493	484
RED						
Barbera	454	315	270	400	99,206	315
Cabernet Franc	402	402	280	350	116,128	289
Cabernet Sauvignon	21,946	18,030	200	723	7,254,063	402
Durif	4,440	4,118	237	800	1,647,811	400
Grenache	301	301	250	400	95,535	318
Malbec	35	35	300	300	10,374	300
Mataro (Mouvedre)	1,496	1,487	250	410	475,222	320
Merlot	14,920	11,736	200	766	4,783,521	408
Other red (grouped)	1,498	723	250	1,800	277,258	383
Petit Verdot	2,476	2,263	274	600	871,730	385
Pinot Noir	2,830	2,012	380	575	953,419	474
Ruby Cabernet	11,352	11,190	240	793	3,772,769	337
Sangiovese	884	804	280	500	259,220	323
Shiraz	51,477	45,590	200	1,100	20,022,183	439
Tempranillo	908	900	300	650	481,905	536
Unsound / distillation red ³	n/a	335			79,774	238
Zinfandel	749	560	200	300	132,720	237
TOTAL RED	116,168	100,801			41,332,838	410
TOTAL ALL VARIETIES	248,570	214,712			96,450,331	449

¹ **Tonnes harvested** column is a total of all wine grape production recorded from within the Riverina Wine Grapes Marketing Board area of operations. Constituted wine grape production subject to a Board service charge of \$3.90 per tonne = 204,027 tonnes. Valuing total crop at average prices is approx. \$113m – independent growers return \$92 million (\$103m in 2004).

² **Tonnes purchased** column includes wine grapes purchased in the Riverina Geographical Indication from independent producers, winery-owned production and winery controlled fruit sold. Surveyed production in the Riverina Geographical Indication area for 2005 totaled 251,416 tonnes. 2,846 tonnes were grown outside the Board's area of operations.

³ **Unsound wine grapes** that were used for distillation purposes were recorded in their variety category by the Board.

PART 2: INTAKE 2005 & PROJECTIONS 2006 – 2010**Summary Table 2005 – 2010 (tonnes)**

	2005	2006	2007	2008	2009	2010
WHITE GRAPES						
Expected intake (t)	133,000	153,681	166,980	175,642	182,934	183,339
Preferred Intake (t)	133,705	151,571	161,285	170,651	179,736	180,526
Expected-Preferred (t)	-705	2,110	5,695	4,991	3,199	2,813
Difference/Preferred (%)	-0.5%	1.4%	3.5%	2.9%	1.8%	1.6%
RED GRAPES						
Expected intake (t)	118,416	130,267	135,127	143,015	151,254	152,682
Preferred Intake (t)	111,264	126,339	131,429	139,690	147,804	149,389
Expected-Preferred (t)	7,152	3,929	3,698	3,325	3,451	3,293
Difference/Preferred (%)	6.4%	3.1%	2.8%	2.4%	2.3%	2.2%
TOTAL GRAPES						
Expected intake (t)	251,416	283,948	302,107	318,658	334,189	336,021
Preferred Intake (t)	244,969	277,909	292,714	310,342	327,540	329,915
Expected-Preferred (t)	6,447	6,039	9,393	8,316	6,649	6,106
Difference/Preferred (%)	2.6%	2.2%	3.2%	2.7%	2.0%	1.9%

A positive figure indicates expected intake exceeds demand.

Major Variety Analysis 2005 – 2010 (tonnes)

Cabernet Sauvignon	2005	2006	2007	2008	2009	2010
Expected intake (t)	22,452	24,632	23,760	23,899	24,103	24,215
Preferred Intake (t)	21,710	23,173	22,382	22,592	22,735	22,848
Expected-Preferred (t)	742	1,459	1,378	1,307	1,367	1,367
Difference/Preferred (%)	3.4%	6.3%	6.2%	5.8%	6.0%	6.0%

Variety in slight surplus over the period

Chardonnay	2005	2006	2007	2008	2009	2010
Expected intake (t)	47,581	57,456	67,399	72,586	76,880	77,111
Preferred Intake (t)	42,616	53,370	62,400	68,505	73,497	73,958
Expected-Preferred (t)	4,965	4,086	4,999	4,080	3,383	3,152
Difference/Preferred (%)	11.7%	7.7%	8.0%	6.0%	4.6%	4.3%

Variety in slight surplus over the period

Colombard	2005	2006	2007	2008	2009	2010
Expected intake (t)	13,359	13,567	13,125	13,120	13,058	13,063
Preferred Intake (t)	13,518	13,874	13,433	13,489	13,475	13,537
Expected-Preferred (t)	-159	-307	-308	-369	-417	-474
Difference/Preferred (%)	-1.2%	-2.2%	-2.3%	-2.7%	-3.1%	-3.5%

Variety in balance.

Merlot	2005	2006	2007	2008	2009	2010
Expected intake (t)	15,280	18,011	18,371	20,524	22,853	23,740
Preferred Intake (t)	15,209	17,371	17,841	19,989	22,292	23,194
Expected-Preferred (t)	71	641	530	535	561	546
Difference/Preferred (%)	0.5%	3.7%	3.0%	2.7%	2.5%	2.4%

Variety in balance

Muscat Gordo	2005	2006	2007	2008	2009	2010
Expected intake (t)	5,138	5,234	5,158	5,163	4,651	4,564
Preferred Intake (t)	5,311	5,363	5,303	5,324	4,797	4,715
Expected-Preferred (t)	-173	-129	-145	-162	-145	-151
Difference/Preferred (%)	-3.3%	-2.4%	-2.7%	-3.0%	-3.0%	-3.2%

Variety in balance

Pinot Gris	2005	2006	2007	2008	2009	2010
Expected intake (t)	1,201	4,055	7,156	8,532	10,162	10,162
Preferred Intake (t)	5,169	6,259	7,359	8,704	10,311	10,361
Expected-Preferred (t)	-3,968	-2,204	-203	-172	-149	-199
Difference/Preferred (%)	-76.8%	-35.2%	-2.8%	-2.0%	-1.4%	-1.9%

Early shortage is being addressed by increased production in medium term

Sauvignon Blanc	2005	2006	2007	2008	2009	2010
Expected intake (t)	3,371	3,895	3,980	4,365	4,525	4,565
Preferred Intake (t)	3,867	4,084	4,109	4,409	4,559	4,609
Expected-Preferred (t)	-495	-189	-129	-44	-34	-44
Difference/Preferred (%)	-12.8%	-4.6%	-3.1%	-1.0%	-0.7%	-1.0%

Variety in balance

Semillon	2005	2006	2007	2008	2009	2010
Expected intake (t)	37,859	42,098	41,393	42,003	42,440	42,552
Preferred Intake (t)	37,903	41,054	39,610	40,059	41,632	41,774
Expected-Preferred (t)	-43	1,044	1,783	1,944	808	778
Difference/Preferred (%)	-0.1%	2.5%	4.5%	4.9%	1.9%	1.9%

Variety in balance

Shiraz	2005	2006	2007	2008	2009	2010
Expected intake (t)	51,942	59,399	65,048	70,914	76,573	77,014
Preferred Intake (t)	47,808	58,408	64,166	70,217	75,848	76,437
Expected-Preferred (t)	4,133	991	882	697	725	577
Difference/Preferred (%)	8.6%	1.7%	1.4%	1.0%	1.0%	0.8%

Variety in balance

Intake 2005 & Projections by Variety 2006 (tonnes)

	Usage 2005				2006 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	8,045	39,536	47,581	42,616	9,401	48,055	57,456	53,370
Chenin Blanc	204	868	1,072	967	230	783	1,013	989
Colombard	687	12,672	13,359	13,518	736	12,831	13,567	13,874
Marsanne	249	633	882	985	372	831	1,203	1,031
Muscat Blanc	14	1,075	1,089	1,260	14	995	1,009	1,214
Muscat Gordo	123	5,014	5,138	5,311	138	5,096	5,234	5,363
Pinot Gris	20	1,181	1,201	5,169	20	4,035	4,055	6,259
Riesling	907	3,420	4,327	4,378	932	3,534	4,466	4,841
Sauvignon Blanc	716	2,655	3,371	3,867	562	3,333	3,895	4,084
Semillon	5,063	32,796	37,859	37,903	5,726	36,372	42,098	41,054
Traminer	1,281	3,582	4,863	4,635	1,288	3,625	4,913	4,720
Trebbiano	329	4,585	4,914	4,845	332	4,604	4,936	4,774
Verdelho	1,335	4,475	5,811	6,593	2,337	4,505	6,842	6,809
Viognier	7	475	481	555	7	2,212	2,219	2,249
Other white	107	944	1,052	1,103	73	703	776	941
TOTAL WHITE	19,088	113,912	133,000	133,705	22,168	131,513	153,681	151,571
RED								
Cab Sauvignon	4,422	18,030	22,452	21,710	5,463	19,169	24,632	23,173
Durif	351	4,118	4,469	4,595	360	3,952	4,312	4,307
Grenache	1	301	302	724	1	313	314	282
Mataro (Mouvedre)	12	1,487	1,499	1,440	20	1,001	1,021	985
Merlot	3,544	11,736	15,280	15,209	4,658	13,353	18,011	17,371
Petit Verdot	273	2,263	2,537	2,437	315	2,405	2,720	2,715
Pinot Noir	870	2,012	2,882	2,489	796	2,316	3,112	3,149
Ruby Cabernet	589	11,190	11,779	10,412	620	11,479	12,099	11,632
Sangiovese	75	804	879	878	76	820	896	896
Shiraz	6,352	45,590	51,942	47,808	6,974	52,425	59,399	58,408
Tempranillo	9	900	909	946	13	850	863	863
Zinfandel	189	560	749	669	190	560	750	750
Other red	929	1,809	2,738	1,947	839	1,300	2,139	1,808
TOTAL RED	17,617	100,799	118,416	111,264	20,325	109,942	130,267	126,339
TOTAL ALL	36,705	214,711	251,416	244,969	42,493	241,455	283,948	277,909

Projections by Variety 2007 – 2008 (tonnes)

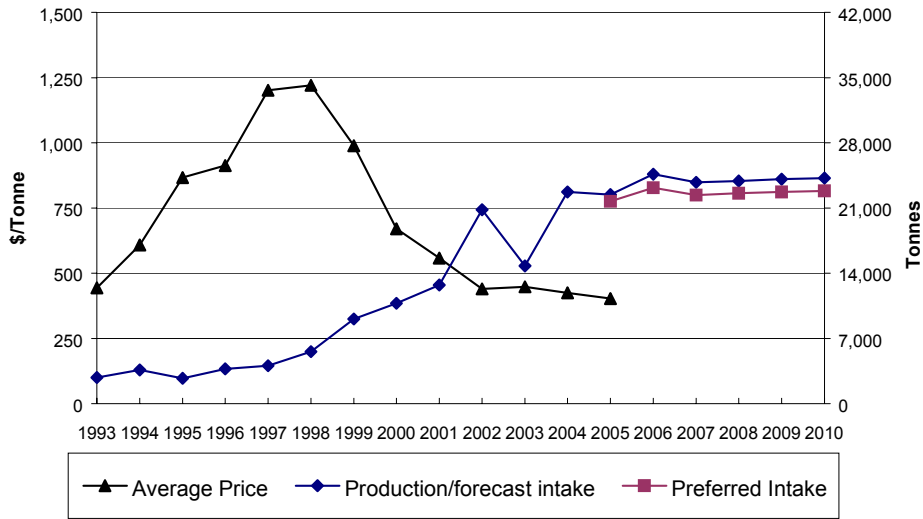
	2007 projections				2008 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	9,601	57,798	67,399	62,400	9,801	62,785	72,586	68,505
Chenin Blanc	230	793	1,023	1,008	230	793	1,023	1,018
Colombard	736	12,389	13,125	13,433	736	12,384	13,120	13,489
Marsanne	372	766	1,138	977	372	766	1,138	988
Muscat Blanc	14	995	1,009	1,214	14	1,045	1,059	1,214
Muscat Gordo	138	5,020	5,158	5,303	138	5,025	5,163	5,324
Pinot Gris	20	7,136	7,156	7,359	20	8,512	8,532	8,704
Riesling	932	3,544	4,476	4,874	932	3,539	4,471	4,912
Sauvignon Blanc	562	3,418	3,980	4,109	562	3,803	4,365	4,409
Semillon	5,996	35,397	41,393	39,610	5,996	36,007	42,003	40,059
Traminer	1,288	3,715	5,003	4,803	1,288	3,835	5,123	4,927
Trebbiano	332	4,476	4,808	4,659	332	4,451	4,783	4,629
Verdelho	2,337	4,505	6,842	6,870	2,337	4,600	6,937	6,938
Viognier	10	3,271	3,281	3,311	15	3,714	3,729	3,759
Other white	75	1,115	1,190	1,355	75	1,537	1,612	1,777
TOTAL WHITE	22,643	144,337	166,980	161,285	22,848	152,794	175,642	170,651
RED								
Cab Sauvignon	5,463	18,297	23,760	22,382	5,463	18,436	23,899	22,592
Durif	360	3,932	4,292	4,287	360	3,942	4,302	4,297
Grenache	1	313	314	282	1	313	314	282
Mataro (Mouvedre)	20	1,001	1,021	985	20	1,001	1,021	985
Merlot	4,658	13,713	18,371	17,841	4,658	15,866	20,524	19,989
Petit Verdot	315	2,403	2,718	2,713	315	2,408	2,723	2,718
Pinot Noir	796	2,294	3,090	3,132	796	2,299	3,095	3,143
Ruby Cabernet	620	11,191	11,811	11,313	620	10,891	11,511	11,131
Sangiovese	76	820	896	896	76	825	901	901
Shiraz	6,974	58,074	65,048	64,166	6,974	63,940	70,914	70,217
Tempranillo	13	850	863	863	13	850	863	863
Zinfandel	190	570	760	760	190	570	760	760
Other red	839	1,345	2,184	1,808	839	1,350	2,189	1,813
TOTAL RED	20,325	114,802	135,127	131,429	20,325	122,690	143,015	139,690
TOTAL ALL	42,968	259,139	302,107	292,714	43,173	275,485	318,658	310,342

Projections by Variety 2009 – 2010 (tonnes)

	2009 projections				2010 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	9,801	67,079	76,880	73,497	9,801	67,310	77,111	73,958
Chenin Blanc	230	825	1,055	1,029	230	838	1,068	1,040
Colombard	736	12,322	13,058	13,475	736	12,327	13,063	13,537
Marsanne	372	772	1,144	999	372	775	1,147	1,011
Muscat Blanc	14	1,060	1,074	1,214	14	1,080	1,094	1,214
Muscat Gordo	138	4,513	4,651	4,797	138	4,426	4,564	4,715
Pinot Gris	20	10,142	10,162	10,311	20	10,142	10,162	10,361
Riesling	932	3,544	4,476	4,953	932	3,551	4,483	4,960
Sauvignon Blanc	562	3,963	4,525	4,559	562	4,003	4,565	4,609
Semillon	5,996	36,444	42,440	41,632	5,996	36,556	42,552	41,774
Traminer	1,288	3,960	5,248	5,056	1,288	3,960	5,248	5,060
Trebbiano	332	4,425	4,757	4,599	332	4,432	4,764	4,604
Verdelho	2,337	4,677	7,014	7,000	2,337	4,731	7,068	7,067
Viognier	15	4,317	4,332	4,332	15	4,319	4,334	4,334
Other white	75	2,042	2,117	2,282	75	2,042	2,117	2,282
TOTAL WHITE	22,848	160,086	182,934	179,736	22,848	160,491	183,339	180,526
RED								
CabSavignon	5,463	18,640	24,103	22,735	5,463	18,752	24,215	22,848
Durif	360	3,947	4,307	4,302	360	3,957	4,317	4,307
Grenache	1	318	319	282	1	320	321	282
Mataro (Mouvedre)	20	1,003	1,023	985	20	1,004	1,024	985
Merlot	4,658	18,195	22,853	22,292	4,658	19,082	23,740	23,194
Petit Verdot	315	2,413	2,728	2,723	315	2,413	2,728	2,723
Pinot Noir	796	2,314	3,110	3,154	796	2,323	3,119	3,165
Ruby Cabernet	620	10,891	11,511	11,131	620	10,851	11,471	11,091
Sangiovese	76	825	901	901	76	830	906	906
Shiraz	6,974	69,600	76,573	75,848	6,974	70,041	77,014	76,437
Tempranillo	13	850	863	863	13	850	863	863
Zinfandel	190	580	770	770	190	580	770	770
Other red	839	1,355	2,194	1,818	839	1,355	2,194	1,818
TOTAL RED	20,325	130,930	151,254	147,804	20,325	132,357	152,682	149,389
TOTAL ALL	43,173	291,016	334,189	327,540	43,173	292,848	336,021	329,915

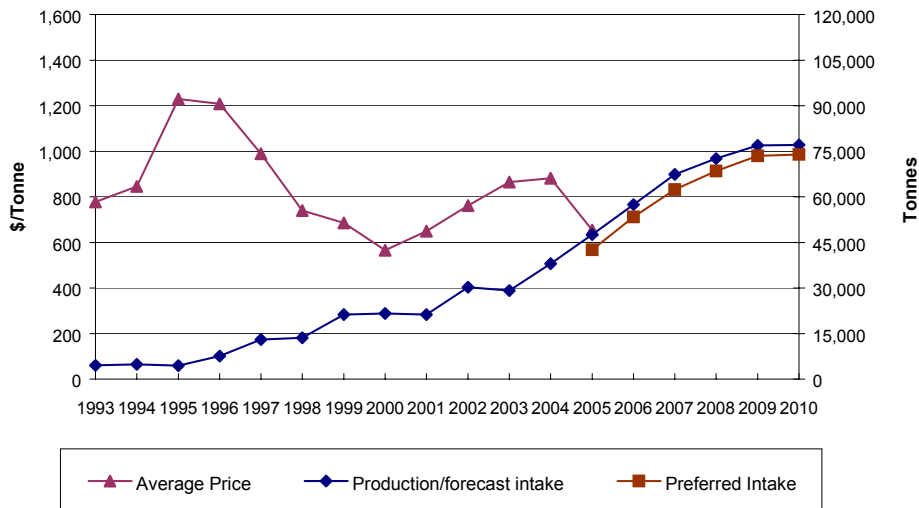
PART 3: VARIETY ANALYSIS

Cabernet Sauvignon



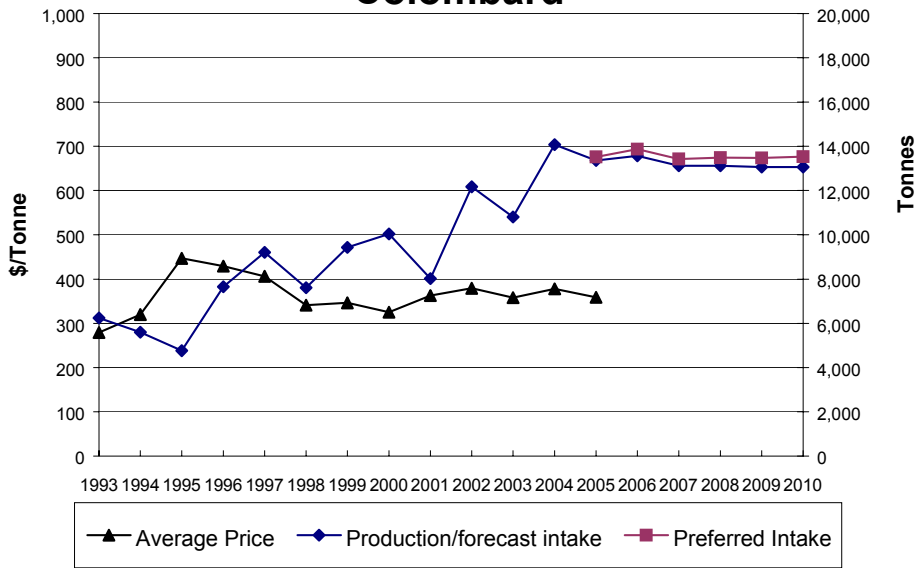
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	9,088	10,787	12,732	20,813	14,790	22,733	22,452	24,632	23,760	23,899	24,103	24,215
Preferred Intake							21,710	23,173	22,382	22,592	22,735	22,848
Average Price	989	670	558	440	448	425	402					

Chardonnay



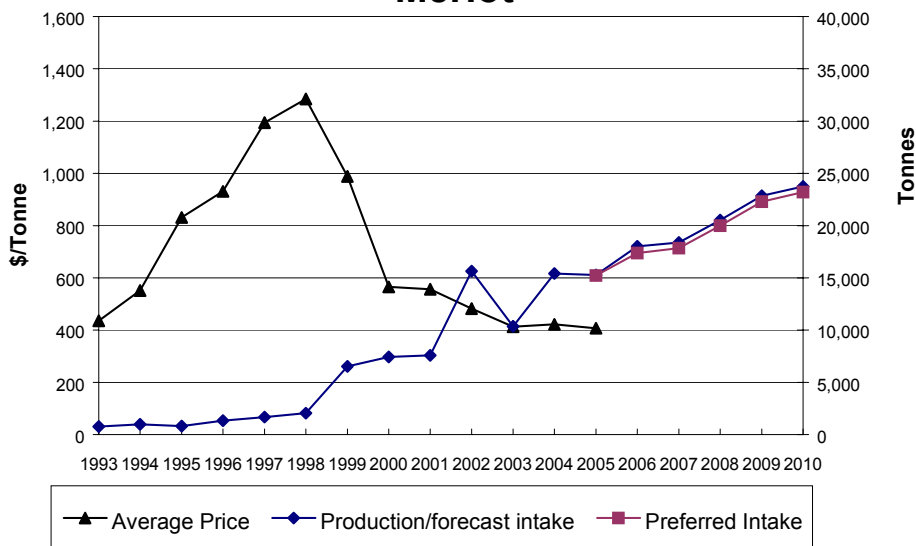
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	21,223	21,578	21,210	30,258	29,129	37,954	47,581	57,456	67,399	72,586	76,880	77,111
Preferred Intake							42,616	53,370	62,400	68,505	73,497	73,958
Average Price	686	565	649	761	865	882	653					

Colombard



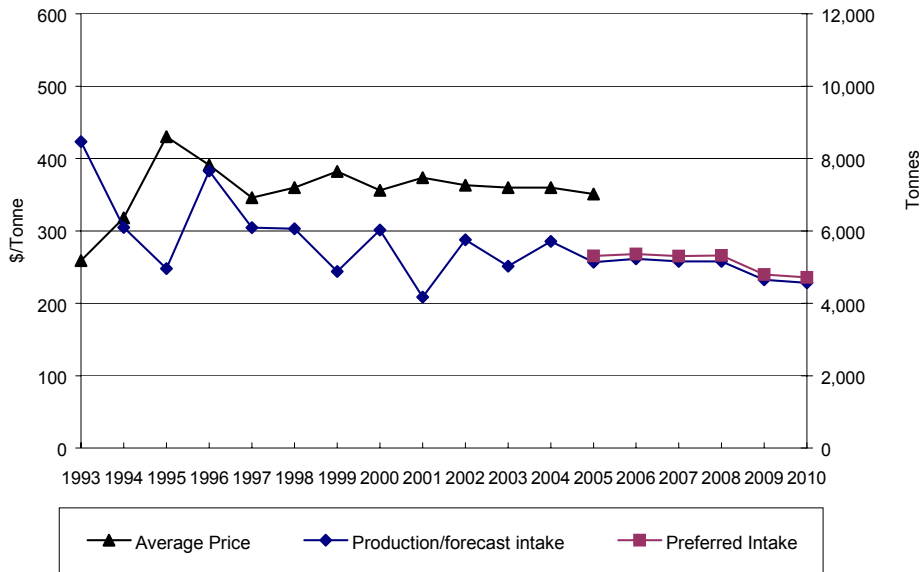
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	9,429	10,041	8,015	12,168	10,811	14,071	13,359	13,567	13,125	13,120	13,058	13,063
Preferred Intake							13,518	13,874	13,433	13,489	13,475	13,537
Average Price	346	325	363	379	358	378	359					

Merlot



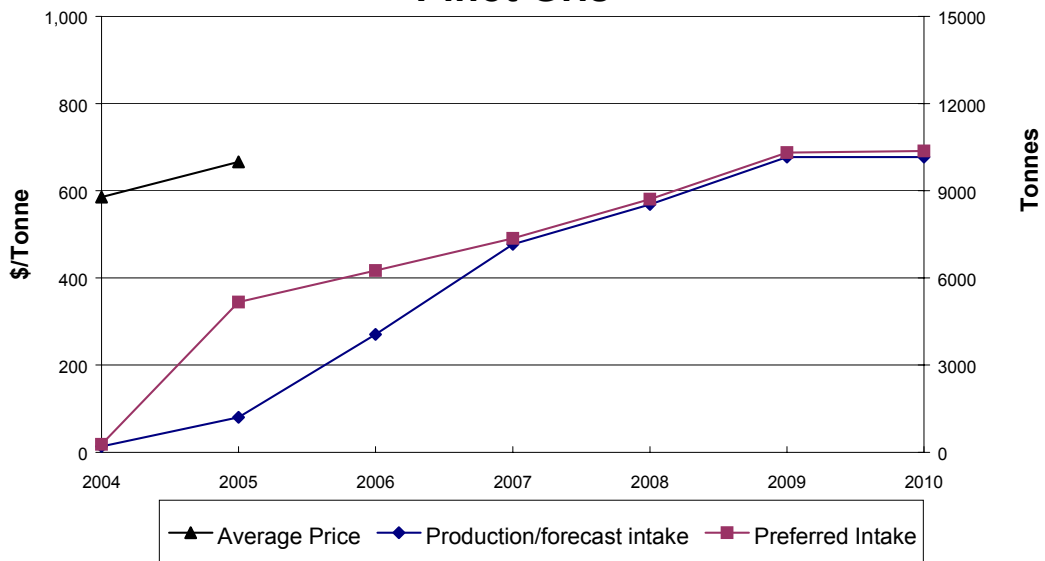
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	6,525	7,446	7,577	15,639	10,354	15,426	15,280	18,011	18,371	20,524	22,853	23,740
Preferred Intake							15,209	17,371	17,841	19,989	22,292	23,194
Average Price	988	565	556	482	413	422	408					

Muscat Gordo



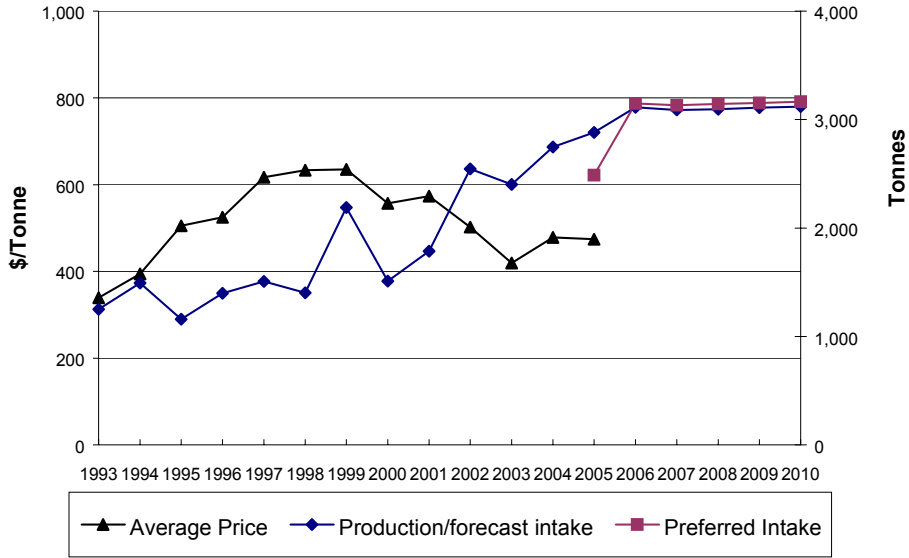
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	4,880	6,022	4,175	5,750	5,025	5,709	5,138	5,234	5,158	5,163	4,651	4,564
Preferred Intake							5,311	5,363	5,303	5,324	4,797	4,715
Average Price	382	356	373	363	360	360	351					

Pinot Gris



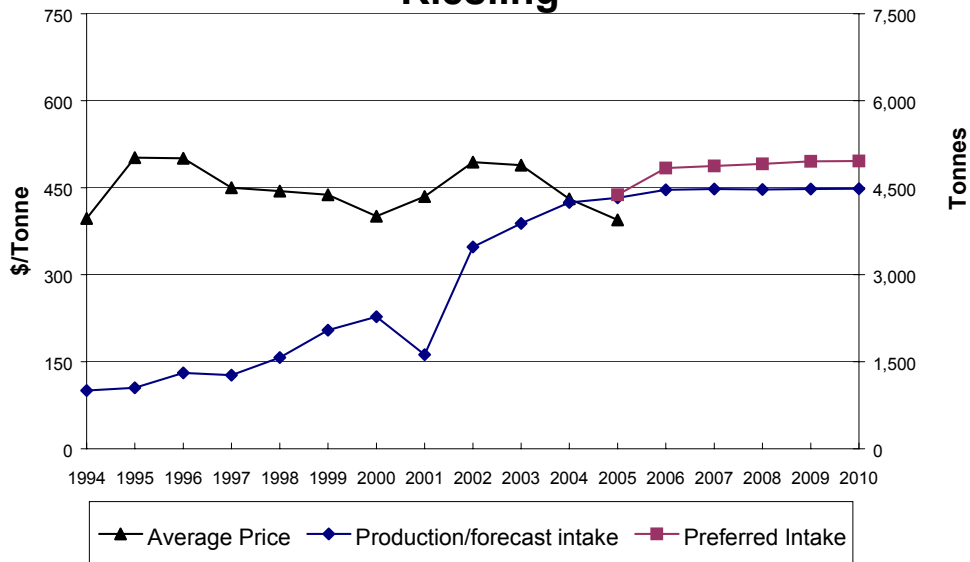
	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	208	1,201	4,055	7,156	8,532	10,162	10,162
Preferred Intake	279	5,169	6,259	7,359	8,704	10,311	10,361
Average Price	585	666					

Pinot Noir



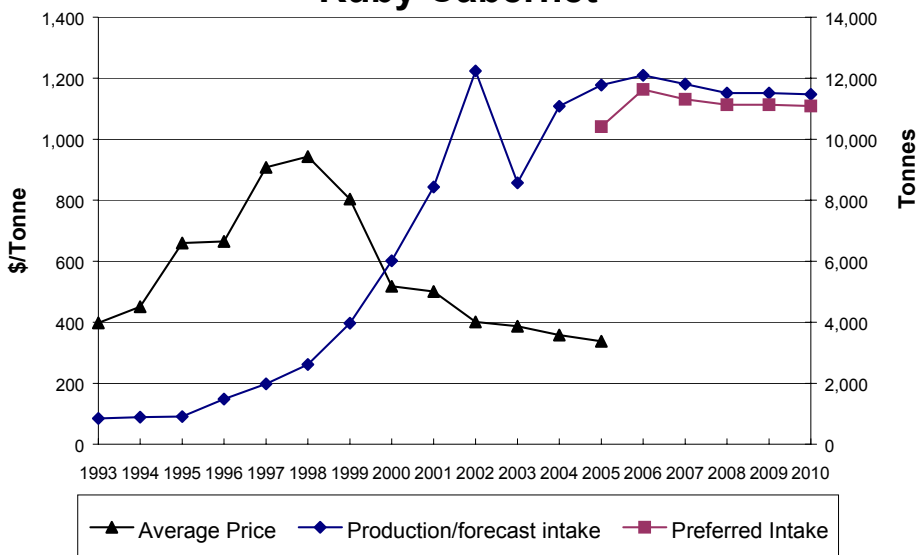
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,191	1,510	1,786	2,546	2,401	2,747	2,882	3,112	3,090	3,095	3,110	3,119
Preferred Intake							2,489	3,149	3,132	3,143	3,154	3,165
Average Price	635	557	574	502	419	478	474					

Riesling



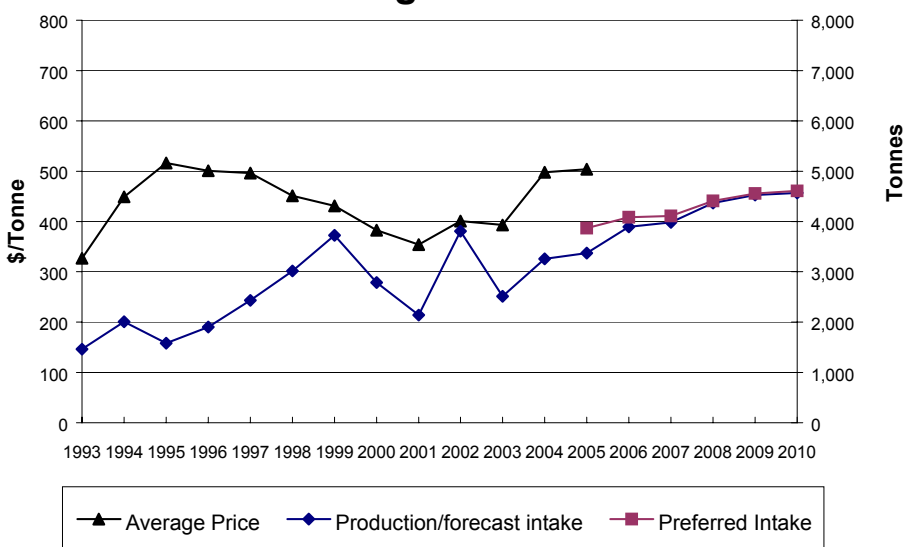
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	1,570	2,045	2,279	1,621	3,478	3,885	4,244	4,327	4,466	4,476	4,471	4,476	4,483
Preferred Intake								4,378	4,841	4,874	4,912	4,953	4,960
Average Price	444	438	401	435	494	489	431	395					

Ruby Cabernet



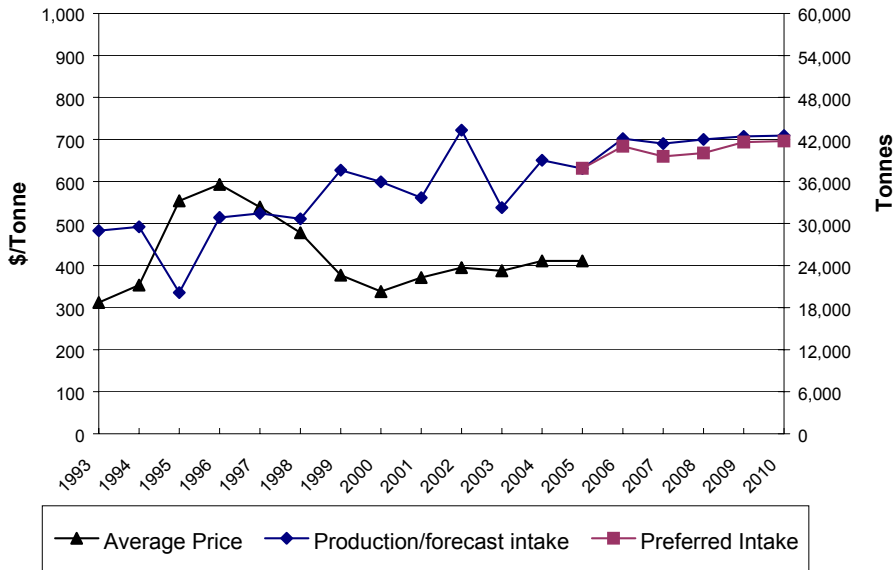
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	3,970	6,014	8,433	12,245	8,566	11,085	11,779	12,099	11,811	11,511	11,511	11,471
Preferred Intake							10,412	11,632	11,313	11,131	11,131	11,091
Average Price	804	518	501	401	387	358	337					

Sauvignon Blanc



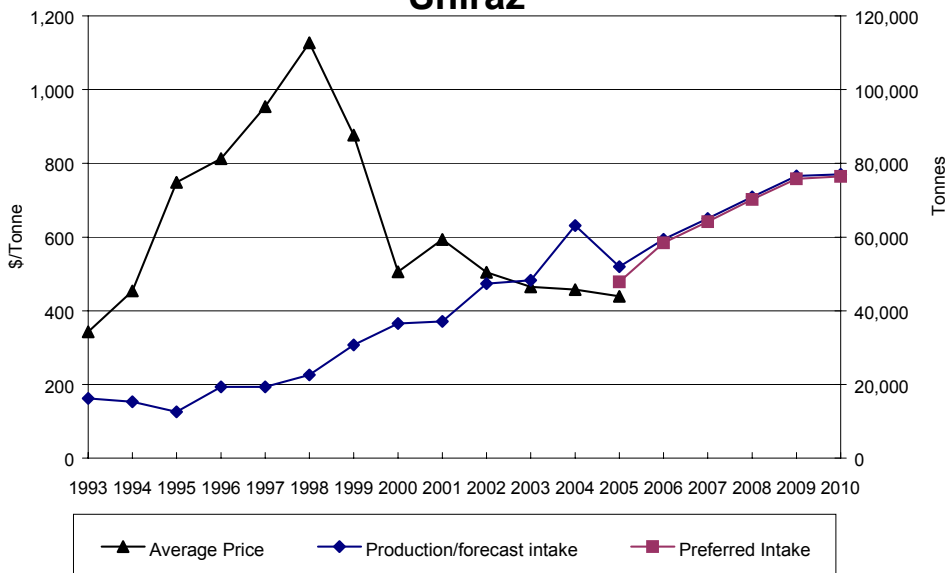
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	3,726	2,784	2,141	3,808	2,515	3,260	3,371	3,895	3,980	4,365	4,525	4,565
Preferred Intake							3,867	4,084	4,109	4,409	4,559	4,609
Average Price	431	383	354	401	393	498	504					

Semillon



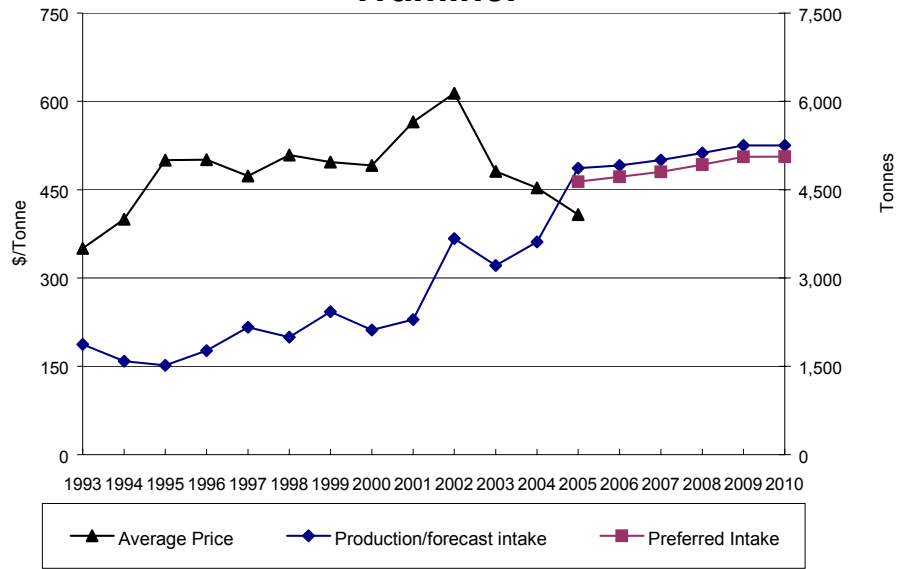
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	37,615	35,956	33,692	43,350	32,275	39,046	37,859	42,098	41,393	42,003	42,440	42,552
Preferred Intake							37,903	41,054	39,610	40,059	41,632	41,774
Average Price	377	338	371	395	388	411	411					

Shiraz



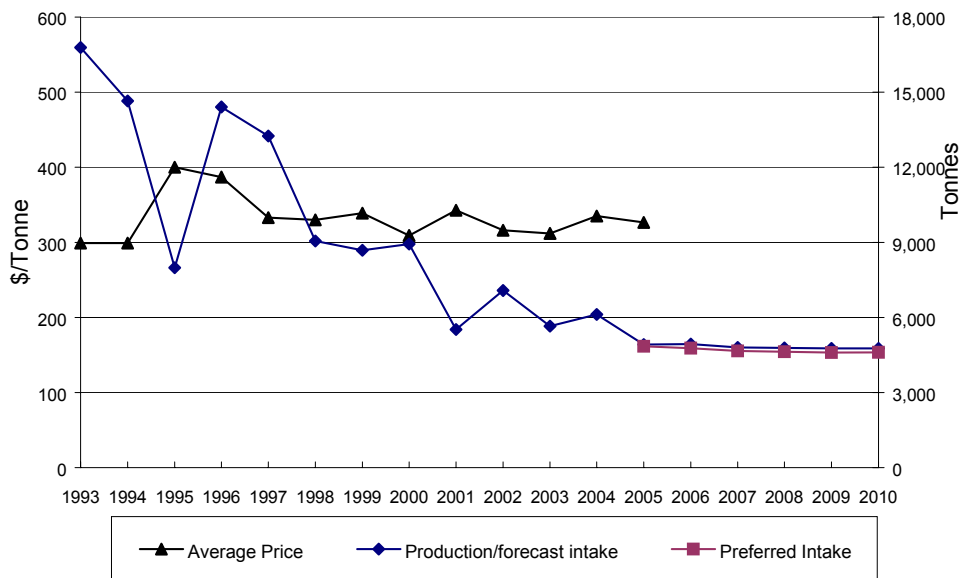
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	30,731	36,507	37,114	47,371	48,231	63,145	51,942	59,399	65,048	70,914	76,573	77,014
Preferred Intake							47,808	58,408	64,166	70,217	75,848	76,437
Average Price	877	506	593	504	465	457	439					

Traminer

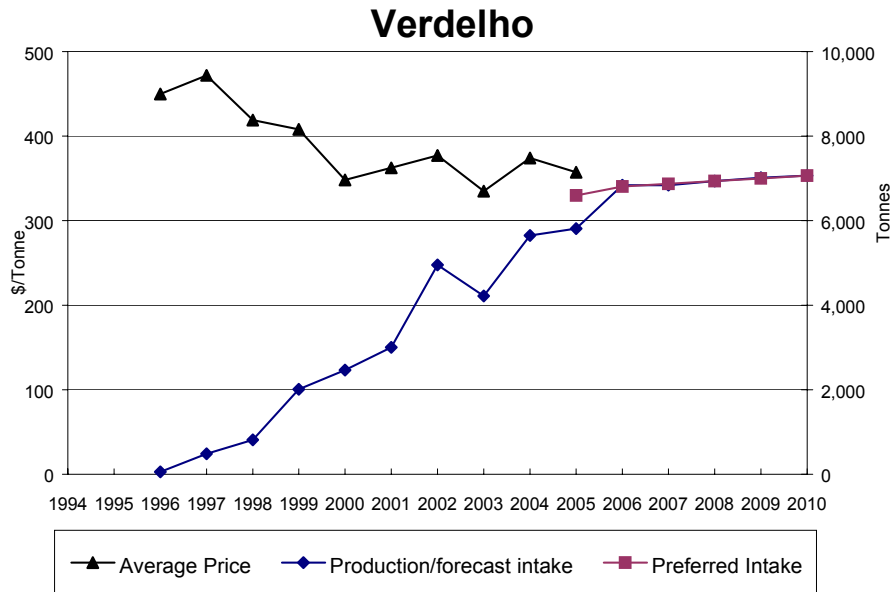


	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,425	2,116	2,295	3,668	3,210	3,611	4,863	4,913	5,003	5,123	5,248	5,248
Preferred Intake							4,635	4,720	4,803	4,927	5,056	5,060
Average Price	497	491	565	614	481	453	408					

Trebbiano



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	8,680	8,934	5,517	7,072	5,657	6,117	4,914	4,936	4,808	4,783	4,757	4,764
Preferred Intake							4,845	4,774	4,659	4,629	4,599	4,604
Average Price	339	309	343	316	312	335	326					



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,011	2,466	3,000	4,950	4,215	5,649	5,811	6,842	6,842	6,937	7,014	7,068
Preferred Intake							6,593	6,809	6,870	6,938	7,000	7,067
Average Price	408	348	362	377	335	374	357					

SURVEY CONCLUSIONS

The data contained in the Riverina Pricing & Utilisation Survey 2005 – 2010 has been compiled from data collected by regional wineries. It is important that growers and potential investors within the industry look further than these figures when making decisions to plant wine grapes. **The use of this survey as a guide to planting intentions is concerning and all industry participants must be aware of the inherent risks of this.**

In terms of the future Riverina regional forecast position, care must be taken in terms of these trends as the continued pressure of wine grapes from other Australian regions being purchased locally may work to provide sufficient volumes to meet local winery demand. Local availability is a key factor that must be controlled in terms of planting speculations. Growers should aim at all times to get written confirmation (contracts) that any plantings will be taken up for lengthy duration. Ideally such contracts should contain a sustainable base price for the appropriate development of the market and should include the contract provisions as recommended by the national industry Wine Industry Relations Committee (joint working committee of the Wine Grape Growers Australia and the Winemakers’ Federation of Australia).

Forecasted differences between the winery preferred and expected tonnes should be read with caution by the industry as winery forecasts relate to sales increases across the board, which in reality may not occur. Aggregated figures can also mask individual wineries reductions in preferences for key varieties. Growers should question the survey data that was provided to this survey from their individual wine grape purchasers.

The 2005 year saw a return to the region producing more white wine grapes than red, a position that has stood for many years except in 2004 when Shiraz production ballooned unexpectedly. Semillon remained well balanced in terms of volume and did fall as would have been expected if it follows the up and down trend of the 2001 – 2004 period. Shiraz production dropped a significant 18%, this was forecasted by producers that noted bunch numbers were the same of the previous abundant season but their size was reduced. Also in a number of emerging varieties notably Pinot Gris (or Grigio) production rose, it is well on the way to become a significant variety in the region, serving consumers taste shifts.

Chardonnay prices have declined rapidly in the past 12 months now that supply is exceeding current winery requirements. Notably Chardonnay production has more than doubled since 2001, however the price has now dropped back to the values being received by growers in 2001. The possibility of the price moving downward now that supply has lifted is very high and should work to limit further plantings.

Overall white varieties dropped in value which reflected winery sentiment that sufficient production is now occurring across these varieties. The reductions in prices were not warranted regionally as production did decline due in part to hail damage and the drier growing conditions, however the price declines were more a symptom of large volumes of wine grapes becoming available from other inland region's of Australia at lower than sustainable prices. These wine grapes are likely to continue to impact on the Riverina regions price offer until industry sales grow to meet the available supply and plantings abate.

Red wine grapes also suffered price declines on top of a major reduction in production. The same national factors played a part in the reductions to prices, i.e. wine grapes from other regions. The proliferation of colour as a price determinant also has impacted on the average returns for key red varieties and may continue to do so until the industry finds more appropriate and accountable mechanisms for grading.

The data shown in the major variety analysis shows the fickle nature of the industry due in part to the availability of excess wine grapes from other regions and a perceived desire to continue the supply development in the industry. In previous Riverina Pricing & Utilisation Surveys winery forecasted preferred intake for 2005 showed a different story than actually became the case in 2005.

The following tables of key varieties have been provided to show how much winery sentiment has altered over the years.

Cabernet Sauvignon		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	24,128	25,193	25,793	32,941	37,931	
2005 position	[Actual]\Expected intake (t)	[22,452]	24,632	23,760	23,899	24,103	24,215
2004 position	Preferred Intake (t)	27,324	29,172	30,720	36,686	39,197	
2005 position	Preferred Intake (t)	21,710	23,173	22,382	22,592	22,735	22,848

For Cabernet Sauvignon the winery position has altered with regard to their preferred intake, in 2004 wineries showed a steady demand position for this variety of greater than 3,000 tonnes above the expected vintage intake level (above 10%¹ variation out until 2008). This position has now dropped by almost 6,000 tonnes in the 2005 year (down to 3.4% variation) and is now indicating that a minor surplus exists. While the surplus in this variety is minor it shows that wineries preferred position does alter.

Chardonnay		2005	2006	2007	2008	2009	2010
2002 position	Expected intake (t)	38,056	42,663	42,908			
2003 position	Expected intake (t)	50,610	67,039	76,709	79,647		
2004 position	Expected intake (t)	49,652	61,151	70,638	76,095	81,898	
2005 position	[Actual]\Expected intake (t)	[47,581]	57,456	67,399	72,586	76,880	77,111
2002 position	Preferred Intake (t)	37,497	40,937	44,485			
2003 position	Preferred Intake (t)	62,309	67,909	73,629	76,019		
2004 position	Preferred Intake (t)	58,861	67,602	70,427	76,935	82,573	
2005 position	Preferred Intake (t)	42,616	53,370	62,400	68,505	73,497	73,958

Chardonnay positioning has been critical in relation to the build-up of plantings across the region. If we look back to the 2002 survey, wineries were indicating that this variety was well balanced with variations between the expected and preferred intake levels (green shading) minor from 2005 all the way through until the 2007 vintage season (well balanced and not requiring further plantings development).

In 2003 (white shading) the forecast for 2005 changed dramatically (19% variation) and was a major signal to wine grape producers that strong demand for this variety required more production (almost 12,000 tonnes), which promptly balanced out in the 2006 to 2008 years. During these years price signals also remained high. The 2004 survey data (yellow shading) also forecast that this variety would be greater than 9,000 tonnes in shortage (15.6% variation) for the 2005 vintage season but would be reduced in 2006 leading to a well balanced position in 2007 – 2009.

¹ It is accepted that a variation in the expected and preferred tonnes position of 10% and above is a signal that further plantings of a variety may be required. Less than 10% would be balanced.

The current survey shows a dramatic fall back in prices from the previous vintage of 26% (\$882 to \$653) which was also tied in to the rise in production of 25% (37,954 – 47,581 tonnes). While for the current vintage production spiked it is poignant to note that it is well below the preferred intake position given for the 2005 vintage in the forecasts of 2003 and 2004. Indeed a more subdued position for the next five years has been provided by wineries in the current survey (minor surplus out until 2010).

What is concerning is that the expected productions levels provided within this survey for 2006 until 2009 are less than the demand position stated in the last 2 surveys. This shows how the available wine grapes, wine stocks and consumer preferences have altered throughout time.

Merlot		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	16,667	18,417	19,845	25,300	33,547	
2005 position	[Actual]Expected intake (t)	[15,280]	18,011	18,371	20,524	22,853	23,740
2004 position	Preferred Intake (t)	24,681	27,217	29,795	31,704	35,761	
2005 position	Preferred Intake (t)	15,209	17,371	17,841	19,989	22,292	23,194

While the current survey data for Merlot indicates a well balanced variety a different picture can be drawn from the survey data from 2004. The 2004 survey (pink shading) forecast strong demand for this variety in 2005, in reality the price has declined along with the production of this variety falling to almost 10,000 tonnes below forecast demand for the current vintage.

The more subdued position in 2005 (white shading) shows that the industry is now more cautious in its predictions, perhaps rightly due is part to the availability of this variety from other inland regions and cool regions that are in surplus at very low prices.

Muscat Gordo		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	5,649	6,024	5,946	6,011	5,581	
2005 position	[Actual]Expected intake (t)	[5,138]	5,234	5,158	5,163	4,651	4,564
2004 position	Preferred Intake (t)	7,502	7,827	8,627	8,804	9,854	
2005 position	Preferred Intake (t)	5,311	5,363	5,303	5,324	4,797	4,715

With Muscat Gordo again the figures are now more subdued than the previous survey information. Whereas in 2004 (green shading) the industry perceived a shortage for the 2005 vintage this has not been the case.

This variety has in fact now returned to a more balanced position for the longer term projection, much different from the previous survey that was calling for production to almost double by 2009. Demand has moved aside to a more steady level of production.

Semillon		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	42,043	43,738	43,521	44,860	46,977	
2005 position	[Actual]Expected intake (t)	[37,859]	42,098	41,393	42,003	42,440	42,552
2004 position	Preferred Intake (t)	43,892	45,928	46,429	48,805	50,637	
2005 position	Preferred Intake (t)	37,903	41,054	39,610	40,059	41,632	41,774

Semillon is another variety that is also showing a reduction in the level of demand. In 2004 (green shading) wineries signaled that more tonnes of this variety was needed to meet the preferred level of intake, providing a moderate level of demand out until 2009.

Now in 2005 the returns (\$/tonne) have steadied for Semillon, winery demand has waned and is now indicating that it could be over supplied out until 2010, given the minor difference in positions it could be said that this variety is well balanced and that little or no plantings are required.

An answer to why demand has subdued for this variety could be the abundance of Chardonnay across the region which has a balancing effect on the demand for Semillon due to wineries ability to blend a percentage of Semillon into Chardonnay. While volumes of Chardonnay is high and at reduced prices Chardonnay wine production is likely to be 100% true to variety.

Shiraz		2005	2006	2007	2008	2009	2010
2002 position	Expected intake (t)	57,372	60,019	62,059			
2003 position	Expected intake (t)	56,411	58,129	58,274	59,646		
2004 position	Expected intake (t)	66,746	73,688	85,037	93,874	101,918	
2005 position	[Actual]\Expected intake (t)	[51,942]	59,399	65,048	70,914	76,573	77,014
2002 position	Preferred Intake (t)	50,429	53,611	56,047			
2003 position	Preferred Intake (t)	69,697	70,428	72,169	72,669		
2004 position	Preferred Intake (t)	80,141	85,662	89,299	94,410	102,909	
2005 position	Preferred Intake (t)	47,808	58,408	64,166	70,217	75,848	76,437

Shiraz is an interesting variety (as with Chardonnay) and to look back at the position of wineries it is interesting to note that through this time major export market development has occurred post 2002 by major wineries in the Riverina, notably Casella Wines [yellow tail]. This has stimulated growth in demand, most noticeably the preferred intake position from the 2004 survey year (light blue shading).

Supply and demand in 2002 (pink shading) showed a major oversupply of this variety that would have prevented any development in plantings across the region. 12 months later 2003 (white shading) the position had reversed with the forecast for strong growth required, again in 2004 (light blue shading) the same story was told to industry but with a bit more moderation in the future years 2007 – 2009.

The variations for the 2005 and later years are a major cause for concern. For example the forecast position of 2005 was: 6,943 tonnes oversupply (in 2002); 13,256 tonnes undersupply (in 2003); 13,395 tonnes undersupply (in 2004); 4,134 tonnes oversupply (in 2005). Development decisions within such a market environment could involve high risk as not just regional production needs to be taken into account.

The major concern of the industry is the cyclical nature of the market. Production lead times account for a part of the process but these are stimulated by the market. This season 251,416 tonnes was harvested off 54 different varieties across the region. This figure accounts for the production that was taken up and purchased (at varying prices).

What directions or investment decisions can be drawn from these reports? For example the following table shows the total expected crush for the 2005 that wineries have forecast will be produced and the variation between this and what they have advised industry they were prepared to purchase (the 2005 year is the actual purchased tonnes):

2005 Vintage Year Forecasts		
Forecast Year	Total Tonnes expected	Over (under) supply
2002	254,714	15,271 tonnes
2003	243,796	(32,098) tonnes
2004	280,237	(51,071) tonnes
2005	251,416	6,477 tonnes

Are the forecasts made in the 2003 and 2004 surveys responsible for a surge in plantings growth across the region? It could be suggested that drier conditions and water availability for irrigated crops are making wine grape production an economical option for new entrants to join the industry. Perhaps wineries were then looking to source more wine grapes from local producers to ensure quality characteristics are maintained, an area that is difficult if you are importing from other regions. Whatever the current position is the industry should be concerned that the industry was previously seeking a preferred levels of as high as 331,308 tonnes from within the Riverina but is now able to source these wine grapes from other regions.

Uncertainty is possibly the only constant within this industry. As an industry the growers and processors need now more than ever to work actively together to ensure that the boom bust cycle is reduced.

Appendix 3

Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005

The Wine Grapes Marketing Board, for the City of Griffith and the local government areas of Leeton, Carrathool and Murrumbidgee in pursuance of Part 2, Section 5 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003*, make the following Order.

Dated, the 7th day of January 2005.

WINE GRAPES MARKETING BOARD (TERMS AND CONDITIONS OF PAYMENT) ORDER 2005

under the Wine Grapes Marketing Board (Reconstitution) Act 2003

1. Name of Order

Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005.

2. Commencement

This Order commences on 7th January 2005, by motion of the Wine Grapes Marketing Board.

3. Duration

This Order has effect for the 2005 calendar year only.

4. Validity of Order

- (1) The making of this Order by the Wine Grapes Marketing Board under Section 5 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* is specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.
- (2) The making of this Order does not limit or remove any obligations parties to this Order may have under the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

5. Definitions

In this Order:

Act means the Wine Grapes Marketing Board (Reconstitution) Act 2003.

Board means the Wine Grapes Marketing Board established by the regulation set out in Schedule 1 of the Wine Grapes Marketing Board (Reconstitution) Act 2003.

Board's area of operations means the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee

complying contract means:

(a) a contract that fixes:

- (i) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year only, or the manner in which those prices are to be calculated, and
- (ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into before the first Monday in December of the previous calendar year, or

(b) a contract that fixes:

- (i) the prices to be paid for consignments of MIA wine grapes delivered during both the current calendar year and one or more future calendar years, or the manner in which those prices are to be calculated, and
- (ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into at any time before the first delivery of winegrapes under the contract, or

(c) a contract the subject of an approval in force under section 13 of the Act.

consignee means a person to or for whom a consignment of MIA wine grapes is delivered.

consignor means a person by or from whom a consignment of MIA wine grapes is delivered.

constituted grower means for any calendar year, the class of primary producers for which the Board is constituted includes all growers within the Board’s area of operation who, during the previous calendar year, harvested more than 20 tonnes of MIA wine grapes, but does not include:

- (a) in the case of a corporation:
 - (i) a grower that is also a winery, or
 - (ii) a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - (i) a grower who is also a winery, or
 - (ii) a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvests.

duly contracted delivery means a consignment of MIA wine grapes that is delivered pursuant to a complying contract.

EFT means electronic funds transfer.

MIA wine grapes means any variety of grapes grown in the Board’s area of operations for use for processing into wine, must, juice or wine spirit.

6. Application of sections

- (1) *Section 7, 8 and 9* of this Order applies to the Terms and Conditions of Payment for all MIA wine grapes delivered to consignees by consignors that are not a duly contracted delivery.
- (2) *Section 10* of this Order applies to the Terms and Conditions of Payment for the rates levied by the Wine Grapes Marketing Board under the *Agricultural Industry Services Act 1998*, in relation to deliveries of all MIA winegrapes from constituted growers within the Board’s area of operations.

7. Terms and Conditions of Payment for the year 2005

- (1) The purchase price for all MIA wine grapes purchased shall be paid by consignees to the Board or as directed by the Board as noted in the timetables in this section and where appropriate in accordance with *Section 9* of this order.
- (2) Payments made by consignees directly to the Board pertaining to deliveries of MIA wine grapes delivered to consignees by consignors.

Table 1: Payments made to the Board by Consignees

Timetable	Structure
10 th May 2005	1/3 total delivery value (33.33%)
21 st June 2005	1/3 total delivery value (33.33%)
11 th October 2005	1/3 total delivery value (33.34%) including all bonus payments

- (3) The Board may direct payments for MIA wine grapes to be made directly to consignors by consignees only upon completion in full of an “*Application to Make Payment Directly to Growers*” made and received by the Board on or prior to 25th February 2005.
 - (i) Applications are available from the Board.
 - a. No fees or charges for processing of applications will apply.
 - b. Notification of Board direction will be made 25th March 2005.
 - (ii) Failure to comply with any or all conditions of the application made in accordance with this Order may result in the revocation of any direction made by the Board pursuant to the application.

- (4) Payments made directly to consignors by consignees excluding all applicable levies for MIA wine grapes delivered to consignees by consignors under direction by the Board.

Table 2: Payments Made to Consignors by Consignees and the Board

Timetable	Structure
13 th May 2005	1/3 total delivery value (33.33%)
24 th June 2005	1/3 total delivery value (33.33%)
14 th October 2005	1/3 total delivery value (33.34%) including all bonus payments

- (i) All payments made to the Board by consignees on MIA wine grapes delivered by consignors are to be paid to growers in accordance with *Table 2* of this Section or at earlier dates by notice to the Board.

8. Default payments for deliveries of MIA wine grapes

- (1) Interest shall apply on all late payments made for purchased MIA winegrapes whether the consignee has been directed by the Board to make payments directly to consignors or not at the rate prescribed under section 95 (1) of the *Supreme Court Act 1970* for payment of interest on a judgement debt, plus 5 per cent.
- (2) Payments made in accordance with this section shall occur in accordance with instruction of the Board.
- (3) Any money due to the Board, including any money that becomes payable as a consequence of the revocation of a direction under section 10 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* may be recovered as a debt.

9. Manner and timing in which payments are to be made

- (1) Notwithstanding any previous section in this Order this clause applies to payment by all consignees accepting deliveries of MIA wine grapes from consignors otherwise than pursuant to a direction by the Board. Payments are to be:
- (i) Paid as a valid bank cheque made out to the Wine Grapes Marketing Board and received by the Board by 12 midday of the due date, or
- (ii) Transferred to the Board's nominated banking account by EFT so as to cause all funds to be cleared by the due date. A confirmation of the transaction must be forwarded by facsimile to the Board on the same day.
- (2) Notwithstanding any previous section in this Order this clause applies to all payments made to consignors by consignees accepting deliveries of MIA wine grapes from consignors pursuant to a direction under the Act by the Board:
- (i) Made available as a cheque made out to the consignor for pickup by consignors by 12 midday on the due dates, or
- (ii) Transferred by EFT to consignor's nominated banking account so that funds are cleared by the due dates. A confirmation of the transaction must be forwarded to the grower on the same day, or
- (iii) Sent as a cheque made out of the consignor via Australia Post to consignors post marked on the date directed.
- (3) No payments made available for consignor pickup are to be retained by the consignee for greater than 24 hours.
- (4) Revocation of a Board direction may result from non-compliance of the manner within this Order.

10. Calculation and payment of Wine Grapes Marketing Board levies

- (1) Levies are applicable on deliveries of MIA wine grapes on all constituted growers.
- (2) The leviable rate for 2005 is \$3.90 per tonne (fresh weight) of winegrapes.
- (3) In the case of a consignee receiving Board direction to make payments to consignors directly the levy amount shall be deducted by the consignee from the payment for deliveries of MIA wine grapes and then remitted to the Board in the following timetables and structure.

Table 3: Payments of Levies to the Board

Timetable	Structure
13 th May 2005	\$1.30 per tonne delivered
24 th June 2005	\$1.30 per tonne delivered
14 th October 2005	\$1.30 per tonne delivered

Table 4: Alternate Payments of Levies to the Board

Timetable	Structure
30 th June 2005	\$3.90 per tonne delivered

- (4) Payments of levies by consignees in accordance with *Table 4: Alternate Payments of Levies to the Board* are required to advise the Board in writing by 29th April 2005. No penalty or discount will be provided to the consignee for payments made in this manner.
- (5) Failure to remit levies to the Board within the timetable, structure and the approved manner may cause a revocation of a Board direction made in accordance with this Order.
- (6) All levies payable to the Board in accordance with the timetable in Subsection 3 of this Section are to be paid to the Board in the following manner:
 - (i) To the Board's nominated banking account by EFT on the due dates, including a confirmation of the transaction sent by facsimile to the Board on the same day, or
 - (ii) Sent as a business cheque made out to the Wine Grapes Marketing Board via Australia Post postmarked on the due dates.
 - (iii) Delivered to the registered offices of the Board on the due dates.

All enquiries in relation to this Order should be directed to:

**Mr Brian Simpson
Chief Executive Officer**

**Riverina - Wine Grapes Marketing Board
182 Yambil Street Griffith NSW 2680
PO Box 385 Griffith NSW 2680
Phone: 02-6962 3944 Fax: 02-6962 6103
Mobile: 0438 388 828 Email: bsimpson@wgmb.net.au**

Copies of this Order can be downloaded from the Board's website in PDF format:
<http://www.wgmb.net.au>

Appendix 4

**Form letter provided to Riverina wine grape producers by the
Wine Grapes Marketing Board.**

Inquiry into the Wine Industry

To Whom It May Concern

The Australian wine industry is currently in crisis with declining prices and increasing market rationalisation of the industry by processors has seen the balance of market power move strongly against wine grape producers.

The key issues that I/we would like to make in my submission to the inquiry are:

- The increasing volume of wine grapes available in Australia have been brought on by wineries by providing insufficient communications to producers and inappropriate market signals.
- Supply and demand factors are not applied within the market effectively by the purchasers, hereby creating an unstable environment not conducive to investment activity.
- The relationship between growers and wine makers has continued to degrade by their general disregard for the sustainability of producers. The industry needs to be able to operate closely but this is rarely achieved through the inconsistent approach to grading and quality standards.
- Contracts within the industry are not secure and are at best only made workable by legal intervention, which is cost prohibitive for individual producers.
- Quality wine grapes are not worth producing as wineries use quality to drive down grower returns by lower yields and the potential production life of the vine. Variations from winery to winery are confusing as a grower – consistent industry standards should be applied to the industry.
- Growers require intervention by government to balance the market power of the wineries. Growers also need to be trained and provided with detailed assistance to development collectives for bargaining with wineries and be better skilled at negotiating with wineries to ensure their needs are adequately addressed in terms of pricing. Federal funding is needed to develop our skills base.
- Investigation by government is needed into the power of the retail giants Coles and Woolworths and their pricing policy of Australian wine to consumers and its effects on growers farm gate returns.
- Taxation of wine is very high and while this may have forced much of Australia's production to overseas markets the industry is selling more for less return.
- As a primary producer it constantly feels that the financial squeeze is being applied to the grass roots, the producer. Growers of quality should be able to ensure that they receive a viable return for their produce.
- Other comments: _____

Name: _____

Street Address: _____

Signature: _____

Town: _____ Postcode: _____

Appendix 5

**News Release of the Wine Grapes Marketing Board regarding
contracts**

Copy of letter from [Winery X] solicitor in relation to the newsletter

17 February 2004

WINE GRAPES MARKETING BOARD

For the City of Griffith & Shires of Leeton, Carrathool and Murrumbidgee



NEWS RELEASE

ARE WINEGRAPE CONTRACTS WORTH CONSIDERING

The Wine Grapes Marketing Board is recommending that winegrape growers from within the Riverina do not sign winegrape supply contracts that do not allow them to calculate the price that they will receive for their winegrapes for the duration of the contract or do not follow the industry standard three payment structure.

It has come to the Board's attention that growers are being asked to enter into 3 year contracts where there is no disclosed realistic purchase price but instead the price will be as nominated by the winery for the coming as well as future vintages covered by the contract. The payment terms offered are 4 equal payments a dramatic departure from the accepted industry standard.

These contracts may be considered complying contracts within the terms of the new legislation however the Boards view is that they are definitely not within the spirit of the legislation. These contracts do not disclose a price for forthcoming vintages that could be viewed as viable. They do not adopt an objective standard that would give any growers or their lenders any comfort that a fair price will be paid for the grapes delivered over future vintages.

Prices for winegrapes should not be determined by a winery in its sole discretion. Under these contracts a winery could nominate an unrealistic price, having no obligation to offer a market price. There needs to be a mechanism that can be employed by growers that allows for negotiation to occur. These types of contracts only serve to provide a fertile ground for litigation.

The Board understands why wineries may not wish to be bound by fixed price contracts for long periods of times in what can be a volatile market. However the Board considers that the solution is for wineries to have an objective criteria or standard that can be used with an appropriate dispute resolution clause. For example the parties can agree to pay a reasonable price for each vintage and that would be sufficient for contractual purposes.

Brian Simpson, Chief Executive Officer for the Board stated, "The developments of formal contracts are a good step for the industry but what these types of contracts are attempting to do is not viable for the longer term stability of the industry. Growers in the region need to be aware that since the introduction of the Wine Grapes Marketing Board (Reconstitution) Act 2003 the Board's Term and Conditions of Payment no longer apply to any grower that willingly enters into a contract that forms a complying contract by definition of the Act."

Growers that are considering a contract with a winery should contact the Wine Grapes Marketing Board or their solicitor prior to entering into the agreement. Confidentiality clauses do not apply if you are seeking explanation to the content of the contract.

"Growers should also be aware that a contract may be void if you are forced to sign into it." Mr Simpson advised.

- end -

For further comments please contact:

Brian Simpson
Chief Executive Officer,
02 6962 3944
0438 388 828

AR:RW:

26 February 2004

Wine Grapes Marketing Board
182 Yambil Street
GRIFFITH NSW 2680

Dear Sirs

RE: ~~XXXXXXXXXXXXXX~~ PTY LTD

As you are aware we act on behalf of ~~XXXXXXXXXXXXXX~~ Pty Limited.

It has come to our attention that the Board through its press release has advised growers not to enter into contracts with our client although conceding that the contracts offered by our client are complying contracts. As a result, the security of grape supply to our client's winery is under threat.

Our client takes the view that the Board has acted ultra vires the powers accorded it under the Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003 in tendering advice to growers not to enter into what are complying contracts.

We are instructed to seek an undertaking from the Board that it will cease and desist from providing such advice and disseminating its views through press releases and the like. Should we not receive such an undertaking before 4.00pm on Friday 27 February, we intend to take legal action to injunct the Board from such conduct.

Regardless of any action that might be undertaken as noted above, we reserve our rights to claim damages against the Board for interference with our client's commercial relations.

Yours faithfully,
MACKENZIE & VARDANEGA

Per:



cc Minister for Agriculture
cc Adrian Piccoli MP